

Reserves

Purpose of Reserves

Reserves are utilized to improve the process of visionary planning for HRM's future needs. In general, Reserve Funds are intended to serve three purposes:

They allow for a smoothing of expenditures that might otherwise require an extreme single year outlay (i.e. equipment expenditures and snow-removal expenditures);

They allow for long term planning of major capital expenditures such as the opening and closing of land-fill cells, and the Harbour Solutions Project; and

They assist with cash flow management and can reduce the issuance of debt, acting as “savings” for future needs.

Therefore, reserves are a means by which HRM can accumulate funds for an anticipated future requirement. This differs from the Operating Budget (General Fund) which, in accordance with the Halifax Charter, must budget for a year-end net balance of zero.

Strategies for Reserves

The Reserves Policy approved by Regional Council on December 1, 1998 implemented the following strategies:

- Reserve funding is incorporated into a financial plan as an integral part of the Operating and Project Budgets.
- Each reserve has its purpose clearly defined in a Business Case plan. The Business Case must also include the source and application of funds, the expected time line and any appropriate maximum amount, and projected annual contributions, withdrawals, and balances.
- Reserves are centrally administered so as to ensure consideration for the whole organization.

Other aspects of the Policy include the payment of interest to the reserves, the segregating of each reserve in the accounting records, and ensuring that reserves will not be in a deficit position.

Equipment and Operating Reserves

These reserves are established following the very general guidelines outlined in the Financial Reporting and Accounting Manual, Section 3.15 as issued by the Province of Nova Scotia. Their general intent is to save for large expenditures on equipment by appropriating funds from operating.

Equipment Reserves:

Q204 General Fleet (1997): To provide for replacement of fleet vehicles and equipment with a useful life of less than 10 years for Transportation and Public Works, including Parks and Metro Transit. Funding to come from the operating budget of Fiscal Services (M471), sale of surplus vehicles and from interest paid to the reserve.

Q205 Police Vehicles & Equipment (1998): To provide for replacement of Police Service vehicles with a useful life of less than 10 years. Funding to come from the operating budget of Fiscal Services (M471), sale of surplus vehicles and from interest paid to the reserve.

Q206 Fire Vehicles & Equipment (2000): To provide for replacement of Fire & Emergency Service utility vehicles (cars, vans, and light trucks), and firefighting equipment as they reach the end of their useful life. Also, to provide partial financing for the replacement of firefighting apparatus (heavy firefighting trucks). Funding to come from the operating budget of Fiscal Services (M471), sale of surplus vehicles and from interest paid to the reserve.

Q213 Fuel Systems: To provide for upgrade and replacement of HRM regional fuel depots. The source of funding which stopped flowing to the reserve prior to 1999 was \$0.01 of the \$0.02 per litre surcharge applied to HRM Business Units and outside agencies based on the litres of fuel issued through HRM Fuel Depots. Post-1999, the only funding source to the reserve are interest payment.

Operating Reserves:

Q306 Self Insurance (2006): To provide funds for settlement of insured risks to HRM and to reduce the expenses associated with insurance costs by increasing the minimum deductible provided in HRM's policy. The costs related to insurance and risk can fluctuate greatly each year. The HRM, at any time, has an amount of claims outstanding. This reserve will provide an amount to stabilize the fluctuation of these costs and reserve monies for outstanding claims. Funding to come from the operating budget of Fiscal Services (M320) and from interest paid to the reserve.

Q308 Operations Stabilization (1999): Many regular operating expenditures fluctuate from year to year based on demand for the service. Occasionally, an unusual fluctuation occurs which is significantly greater than the normal expenditure pattern and which cannot reasonably be covered within available funding. This reserve can be used to smooth significant fluctuations in operating expenditures which cannot be anticipated and are beyond the control of the organization. Funding to come from the operating budget of Fiscal Services (M411) and from interest paid to the reserve.

Q309 Snow & Ice Control Variable Operating (1999): This reserve provides funding for costs associated with snow and ice control which are beyond that provided for in the annual operating budget. Given the unpredictability of winter weather, it is prudent to plan for the contingency that any one winter may place an onerous burden on the resources of the Municipality. Funding to come from operating budget of Fiscal Services (M471) and from interest paid to the reserves.

Q310 Service Improvement (2003): This reserve will be used to provide loans for business redesign projects that improve the Municipality's business processes and for which seed capital is required. Eligible projects must demonstrate anticipated down stream benefits that will result from reworking processes and activities. Funding to come in the form of loan repayments (principal & interest) from projects. Also, any operating surplus at the end of the year from Fiscal Services (M421) may be directed into this reserve to replenish withdrawals that are not repayable.

Q311 Cemetery Maintenance (2000): This reserve provides funds for perpetual care maintenance for cemeteries not already provided for in existing Cemetery Trust Accounts. Funding to come from the sale of cemetery lots and from interest paid on the reserve.

Q312 Culture Development (2003): This reserve is used to provide funding to prepare heritage and cultural sites for increased access by citizens and tourists in a way that presents, promotes and preserves them for future generations. Funding to come from 10% of HRM's sale of land, corporate donations and, public (Provincial & Federal) contributions.

Q313 Municipal Elections (2001): Funds from this reserve are allocated for the purpose of conducting special and regular elections pursuant to legislation. In addition, the election reserve will provide for a small amount of funding (\$2,000 - \$3,000 annually) for the purpose of updating the election database (civic addresses and street ranges within polls/districts), ensuring critical information is current and in place for special, and in particular, regular elections. Funding to come from operating budgets of Fiscal Services (M471) & Administrative Services (A125) and from interest paid to reserve.

Q314 Emergency Measures Organization (EMO) Cost Recovery (2001): This reserve provides funding to offset the costs associated with responding to large-scale emergencies. Because such emergencies are unpredictable and very expensive, business units do not normally provide funding for them within their operating budgets. Funding to come from operating budget of Emergency Measures Cost Recovery (A451) and from interest paid to reserve.

Q315 Marketing Levy Special Events (2001): This reserve provides funding to attract and host exceptional Tourism, Culture, & Heritage events, that typically are national or international in caliber and occur on an infrequent basis, where the Municipality provides a leading and/or hosting role. Funding to come directly from the 2% Hotel Marketing Levy collected (only 40% of this amount is allocated to fund this reserve) and from interest paid to reserve.

Q316 DNA Costs (HRP and RCMP) (2001): This reserve provides funding to pay for the costs of conducting DNA evidentiary analysis for the Halifax Regional Police and the RCMP. The Federal government charges each province a flat fee; the reserve covers the municipal component. Funding to come from the operating budget of Fiscal Services (M319) and from interest paid to the reserve.

Q317 Titanic Reserve (2002): This reserve is used to maintain existing monuments, markers, and interpretive panels and create new ones related to the famous ocean liner, and to design and publish interpretive materials. The reserve is largely funded from donations.

Q318 Library Capital Campaign (2005): This reserve is used to fund the Central Library fund raising capital campaign. Any additional funds beyond that required to cover campaign costs will be transferred to the capital project for architectural design fees, construction, materials, furniture and equipment for the Central Library. Funding will be from Provincial grant increases paid to the Halifax Regional Library and from interest paid to the reserve.

Q319 Major Events Facilities (2006): This reserve is used for the development of major cultural and public event facilities. Funding to come from the operating surplus from Metro Centre and from interest paid to the reserve.

Q320 Operating Costs of New Capital (2006): This reserve is used to smooth fluctuations in operating costs of new capital due to the timing of completion of related capital projects. Any initial implementation and operating costs associated with a new capital asset are budgeted in the same year as the capital project. For a variety of reasons, completion of capital projects may occur later than the end of the year in which they are approved. Without a mechanism to carry forward funds, any implementation and initial ongoing operating funds unexpended at the end of the fiscal year must be re-budgeted in the following fiscal year. This will produce a favorable variance in the current fiscal year, while putting pressure on the operating budgets in subsequent years. The unexpended operating costs of new capital funds in the operating budget of Fiscal Services (M317) will move to this reserve at year end.

Q321 Information and Communication Technologies (2006): To provide a mechanism to capture savings generated by information or communication technology systems improvements and upgrades. Funds will be used to support future maintenance, upgrade, and replacement requirements of information or communication systems. Funding to come from the operating budget of Fiscal Services (M322) and from interest paid to the reserve.

Q322 Police Emergency/ Extraordinary Investigation: To provide a source of funds for an emergency event or extraordinary investigation which, because of the complexity, expense, and low frequency of occurrence, could not be covered by the Operating Budget. Funding of the reserve to come from the Regional Police and HRM's operating budgets depending on the availability of any surplus being realized at year end.

Q323 Police Officer On the Job Injury (2003): This reserve will be used to provide financial assistance for sworn officers injured on the job for those injuries not covered by Long Term Disability insurance as provided by Article 44 of the 2003 MAPP collective agreement. Sworn officers with Halifax Regional Police opted out of the Province's WCB insurance and provide 100% self coverage. Funding to come from Police WCB operating account depending on the availability of any surplus being realized at year end.

Q324 Commons Enhancement Fund (2006): To provide a source of funds available for the protection and restoration of the Commons' turf. Funding to come from hosting partners of all future events to be held on the Commons.

Q325 Provincially Funded Police Officers & Facility Lease (2009): This reserve is used for the purposes of funding the salaries, space and equipment costs for incremental police officers. Funding for this reserve is from P316 and is calculated as the difference between funds received from the Province and the expenditures required to pay for the costs for the incremental police officers. The reserve also receives interest per the Reserve Policy.

Q326 Convention Centre Reserve (2011): New reserve being drafted to be created to support convention centre.

Capital Reserves

The Municipal Government Act addresses these types of reserves in Sections 99 and 100. The general intent of these funds is to provide for future contingencies that have a high probability of occurring and have a long range (5 - 30 years) time line.

Q101 Sale of Capital Assets (1999): It is Council's intention that this reserve be primarily used for the acquisition of land, buildings and similar fixed assets. The reserve was created in accordance with the requirements of Section 99 of the Municipal Government Act (MGA). Under this Act, funds may only be used for either (1) capital expenditures for which the municipality may borrow; or (2) repayment of the principal portion of capital debt. Funding is to come from the sale of real property, other than the sale of Business/Industrial Parks land, sales of Parkland, and from interest paid to the reserve.

Q121 Business/Industrial Parks Expansion (1999): This reserve is used exclusively to fund the servicing and grading of lands for sale in Municipality owned business and industrial parks. The reserve was created in accordance with the requirements of Section 99 of the Municipal Government Act (MGA) which requires that any proceeds from the sales of land be deposited into a Capital Reserve fund. Specifically, funding for this reserve is to come from the sale of land in HRM business and industrial parks and from interest paid to reserve.

Q103 Capital Surplus (1999): This reserve is for any purpose identified in Section 99 of the MGA under the Capital Reserve Section including (1) capital expenditures for which the Municipality may borrow and (2) repayment of the principal portion of capital debt. Funding to come from any surplus funds remaining from debentures issued, any capital grant not expended, funds in excess of twenty years in the Tax Sale Surplus Trust account, operating budget of Fiscal Services (M310) and from interest paid to the reserve.

Q107 Parkland Development (2006): As prescribed by the MGA, the reserve is used in new residential developments for the acquisition of, and capital improvements to, parks, playgrounds and similar purposes and may use interest paid for the operation and maintenance costs of similar public places. The reserve was created in accordance with the requirements of Sections 271 & 273 of the Municipal Government Act (MGA). Funding to come from real estate developers in the form of cash in-lieu of 5% assessed value of the subdivision's lots approved for development and from interest paid to the reserve.

Q119 Sackville Landfill Closure (1996): This reserve was prescribed by the Province in 1996 and is intended to provide funds to responsibly end the life of the Sackville Landfill site and monitor it thereafter for environmental impact. The reserve funding comes from operating budget of Solid Waste Services (M431) and from interest paid to reserve.

Q120 Otter Lake Landfill Closure (1996): This reserve was prescribed by the Province in 1996 and is intended to provide funds to responsibly end the life of the Otter Lake Landfill site and monitor it thereafter for environmental impact. It is currently estimated that Otter Lake will accept waste for approximately 25 years. Funding to come from the operating budget of Solid Waste Services (R327) and from interest paid to reserve.

Q123 Waste Resources (2000): To provide funding for the construction of landfill cells and purchase of equipment including replacement carts to operate the waste resources program. Funding to come from the operating budget of Fiscal Services (M316) and from interest paid to the reserve.

Q124 Upper Sackville Turf (2000): This reserve provides funding to offset the costs of maintaining, upgrading, and eventual replacement of the artificial turf field and amenities at Weir Field in Upper Sackville. The reserve may also be used for upgrading and replacement of ancillary structures associated with the field such as lighting, bleachers, and the parking lot. The reserve is funded from 3/4 of all user fees generated from the artificial turf facilities.

Q125 Metro Park Parkade (2002): This reserve is used to maintain and upgrade this property owned by the Municipality. The reserve is funded from a percentage of the parking fees collected under Fiscal Services (M555) and from interest paid to reserve.

Q126 Strategic Growth (2003): The purpose of this reserve is to enable the municipality to respond to challenges posed to our service and infrastructure capability caused by population growth, rapid urban and suburban development expansion, changing demographics and rapid technological advancement. The reserve is meant to allow the municipality to take advantage of opportunities that may arise outside the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies. Funding to come from the operating budget of Fiscal Services (M316) and from interest paid to the reserve.

Q127 Sustainable Community (2004): The purpose of this reserve is to fund environmentally friendly projects, including those which reduce the environmental impacts of municipal operations and community activities. Primary funding to come from interest savings on loans from the Federation of Canadian Municipalities' Green Municipal Investment Fund and other potential sources are: corporate contributions, public partnerships, and savings produced from reduced reliance on fossil fuels.

Q128 Rural Fire (2003): This reserve will be used to fund light vehicles (rescue, utility and tactical support), address health and safety concerns and assist in ensuring rural fire buildings comply to code in order to meet operational requirements. These safety issues may also include emergency power and accessibility in the event stations are needed as „emergency shelters“. Funding to come from the operating budget of Fire Services (F793) and from interest paid to the reserve.

Q129 Ferry Replacement (2003): This reserve will be used to fund the mid-life refit of the ferries, which will extend their useful life from 20 to 40 years, and the replacement of the Halifax Harbour passenger ferries as they reach the end of their useful lives. Because replacement is very expensive (about \$8 - \$12 million each) and occurs infrequently, the funding of a reserve will allow the cost to be spread out and absorbed over many years. Funding to come from the operating budget of Fiscal Services (M321) and from interest paid in reserve.

Q130 Capital Replacement (2006): As part of its Long Term Capital strategy, HRM created this capital replacement reserve for a variety of capital assets that have no such specific reserve. The intent of the reserve is to fund the replacement of existing capital assets which have reached the end of their useful life. Priority will be given to projects that support the legislated mandate of the municipality and to projects that reduce current operating costs. Funding to come from the operating budget of Fiscal Services (M322) and from interest paid in reserve.

Q131 Energy and Underground Services (2004): This reserve will be used to enable the municipality to respond quickly to opportunities that may arise outside of the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies to co-locate under ground services such as natural gas conduit, fibre optic cable, power and telecom lines with other capital projects. Funding to come from any future net proceeds from the sale of natural gas orphan systems or conduit assets, annual contribution from the Provincial Department of Energy ending in 2014/15 fiscal year, and from interest paid to reserve.

Q133 Capital Cost Contribution Bedford South Interchange (2006): To fund HRM's share of an interchange to be built as per the Bedford South Charge Area plan. Funds will be used for oversized infrastructure which benefits existing communities in the areas surrounding the charge area. A contribution will be made annually from the operating budget of Fiscal Services (M325), in the amount of \$450,000 with interest earned at the prevailing market rate being paid to reserves. This contribution will stop in 2011/12 once the required amount of \$3,855,000 is fully funded.

Q134 Gas Tax (2006): This reserve is used as a financial vehicle for maintaining the funds received under the Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues. This is in compliance with the Federal Government requirement for the Municipality to maintain a separate accounting for the funds provided and for the interest earned on unexpended funds. The funds are used to acquire sustainable infrastructure. As outlined in the Municipal Funding Agreement (2010) between the Province and HRM, HRM will receive annual Gas Tax funding for the five years April 1, 2010 to March 31, 2014.

Q135 Alderney Gate Recapitalization/Leasehold Improvement (2005): This reserve will be used to cover costs to preserve the structural integrity of the Alderney Gate building and systems, maintenance items that are not directly recoverable from tenants, leasehold improvements and/or tenant allowances to retain tenants or attract new tenants at the expiration of leases, etc. Annual funding equivalent to about 1.5% of the 2005 purchase price of the building escalated to reflect inflation over the period, will come from the operating budget of Alderney Gate (W203) and from interest paid to the reserve.

Q137 Regional Capital Cost Charges: This reserve will be used to fund the growth-related share of regional infrastructure for which a Capital Cost Contribution (CCC) is collected. CCCs collected for Wastewater Treatment Facilities and other Regional infrastructure will be deposited into the reserve and expended according to the purpose for which they were collected. The reserve will not be used for area CCCs.

Q108 Kingswood Water (1999): This reserve was originally used to fund the maintenance and upgrade of the water system in the Kingswood residential subdivision. Funding was through fire protection charges which were collected by HRM on behalf of HRWC. The reserve is under consideration to be transferred to the HRWC as part of the EMS/HRWC merger.

Q112 5594-96 Morris St (2006): This reserve is used to maintain and upgrade this leased property owned by the Municipality. Funding to come from about 4% of annual revenues generated through lease agreements and interest earned on the reserve.

Q113 Rockingham Community Centre (2006): This reserve is used to maintain and upgrade this leased property owned by the Municipality. Funding to come from about 4% of annual revenues generated through lease agreements and interest earned on the reserve.

Q115 Captain William Spry Centre (2006): This reserve is used to maintain and upgrade this leased property owned by the Municipality. Funding to come from about 4% of annual revenues generated through lease agreements and interest earned on the reserve.

Q116 Richmond School (2006): To provide for major repairs and renovations to this building in accordance with the terms of the lease. Funding to come from about 4% of annual revenues generated through lease agreements and interest earned on the reserve.

The following tables are the cash-flow projections for all Reserve Funds for the fiscal year ending March 31, 2012 based on the 2011-2012 Proposed Operating and Project Budgets.

HALIFAX REGIONAL MUNICIPALITY
APPROVED EQUIPMENT & OPERATING RESERVE FUNDS BUDGET

		Projected Available Balance March 31/11	2011/12 Budgeted Contributions	2011/12 Projected Interest	2011/12 Capital Budget Withdrawals	2011/12 Operating Budget Withdrawals	2011/12 Other Budgeted Withdrawals	Projected Available Balance March 31/12
Equipment Reserves								
Q204	General Fleet	1,140,195	30,000	23,039	0	0	0	1,193,234
Q205	Police Vehicles and equipment	281,006	20,000	5,681	0	0	0	306,687
Q206	Fire Vehicles and equipment	401,010	330,000	10,692	(330,000)	0	0	411,702
Q213	Fuel System	29,387	0	511	0	0	0	29,898
	Total Equipment Reserves	1,851,598	380,000	39,923	(330,000)	0	0	1,941,521
Operating Reserves								
Q306	Self Insurance	3,485,864	372,000	76,635	0	(371,336)	0	3,563,163
Q308	Operations Stabilization	4,161,132	0	73,028	0	0	0	4,234,160
Q309	Snow & Ice Control	7,667,375	0	121,496	0	0	0	7,788,871
Q310	Service Improvement	1,474,271	91,300	32,669	0	0	0	1,598,241
Q311	Cemetery Maintenance	153,295	6,000	2,752	0	0	0	162,047
Q312	Culture Development Reserve	268,190	115,550	6,996	0	(340,000)	0	50,736
Q313	Municipal Elections	986,396	403,100	17,416	0	0	0	1,406,912
Q314	EMO Cost Recovery	280,933	25,000	4,019	0	0	0	309,952
Q315	Marketing Levy Special Events	360,559	1,267,000	13,513	0	(1,125,000)	0	516,072
Q316	DNA Costs (HRP and RCMP)	109,717	113,000	1,964	0	(109,300)	0	115,381
Q317	Titanic Reserve	5,948	0	103	0	0	0	6,051
Q318	Central Library Capital Campaign & Deveopment Operating	-36,888	760,800	22,477	0	0	0	746,389
Q319	Major Events Facilities	845,350	20,000	15,064	0	0	0	880,414
Q320	Operating Cost of Capital	340,132	4,601,243	46,153	0	(4,601,243)	0	386,285
Q321	Information & Communication Tech	3,061,817	500,000	42,989	(2,460,000)	(73,504)	0	1,071,302
Q322	Police Emergency/Extraordinary Investigation	660,729	0	11,484	0	0	0	672,213
Q323	Police Officer On the Job Injury	611,313	0	10,154	0	0	0	621,467
Q324	Commons Enhancement	1,023	0	18	0	0	0	1,041
Q325	Provincially Funded Police Officers & Facility Lease	1,780,195	453,000	30,379	0	0	0	2,263,574
Q326	Convention Centre Reserve	0	370,000	20,170	0	0	0	390,170
	Total Operating Reserves	26,217,351	9,097,993	549,477	-2,460,000	-6,620,383	0	26,784,438
	Total Equipment & Operating Reserves	28,068,949	9,477,993	589,399	(2,790,000)	(6,620,383)	0	28,725,958

HALIFAX REGIONAL MUNICIPALITY
APPROVED EQUIPMENT & OPERATING RESERVE FUNDS BUDGET

		Projected Available Balance March 31/11	2011/12 Budgeted Contributions	2011/12 Projected Interest	2011/12 Capital Budget Withdrawals	2011/12 Operating Budget Withdrawals	2011/12 Other Budgeted Withdrawals	Projected Available Balance March 31/12
Equipment Reserves								
Q204	General Fleet	1,140,195	30,000	23,039	0	0	0	1,193,234
Q205	Police Vehicles and equipment	281,006	20,000	5,681	0	0	0	306,687
Q206	Fire Vehicles and equipment	401,010	330,000	10,692	(330,000)	0	0	411,702
Q213	Fuel System	29,387	0	511	0	0	0	29,898
	Total Equipment Reserves	1,851,598	380,000	39,923	(330,000)	0	0	1,941,521
Operating Reserves								
Q306	Self Insurance	3,485,864	372,000	76,635	0	(371,336)	0	3,563,163
Q308	Operations Stabilization	4,161,132	0	73,028	0	0	0	4,234,160
Q309	Snow & Ice Control	7,667,375	0	121,496	0	0	0	7,788,871
Q310	Service Improvement	1,474,271	91,300	32,669	0	0	0	1,598,241
Q311	Cemetery Maintenance	153,295	6,000	2,752	0	0	0	162,047
Q312	Culture Development Reserve	268,190	115,550	6,996	0	(340,000)	0	50,736
Q313	Municipal Elections	986,396	403,100	17,416	0	0	0	1,406,912
Q314	EMO Cost Recovery	280,933	25,000	4,019	0	0	0	309,952
Q315	Marketing Levy Special Events	360,559	1,267,000	13,513	0	(1,125,000)	0	516,072
Q316	DNA Costs (HRP and RCMP)	109,717	113,000	1,964	0	(109,300)	0	115,381
Q317	Titanic Reserve	5,948	0	103	0	0	0	6,051
Q318	Central Library Capital Campaign & Deveopment Operating	-36,888	760,800	22,477	0	0	0	746,389
Q319	Major Events Facilities	845,350	20,000	15,064	0	0	0	880,414
Q320	Operating Cost of Capital	340,132	4,601,243	46,153	0	(4,601,243)	0	386,285
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Q324	Commons Enhancement	1,023	0	18	0	0	0	1,041
Q325	Provincially Funded Police Officers & Facility Lease	1,780,195	453,000	30,379	0	0	0	2,263,574
Q326	Convention Centre Reserve	0	370,000	20,170	0	0	0	390,170
	Total Operating Reserves	26,217,351	9,097,993	549,477	-2,460,000	-6,620,383	0	26,784,438
	Total Equipment & Operating Reserves	28,068,949	9,477,993	589,399	(2,790,000)	(6,620,383)	0	28,725,958

