

ADMINISTRATIVE ORDER NUMBER 2014-015-ADM RESPECTING RESERVE FUNDING STRATEGIES

BE IT RESOLVED AS AN ADMINISTRATIVE ORDER of the Council of the Halifax Regional Municipality under the authority of the *Halifax Regional Municipality Charter*, as follows:

Short Title

1. This Administrative Order may be known as the “*Financial Reserves Administrative Order*”.

Purposes

2. The purposes of this *Administrative Order* are to:

- (a) assist in planning for the long-term financial health and stability of the Municipality;
- (b) assist in removing unstable and unpredictable tax rates;
- (c) integrate the Reserve Business Cases into the Business Planning and Long-term Operating and Capital Budgets;
- (d) ensure the Municipality has the ability to fund projects and events:
 - (i) that produce long-term efficiency gains,
 - (ii) that are strategic or require significant cost sharing between the Municipality and another person or level of government,
 - (iii) between budget approvals where there is sudden or unexpected business opportunity,
 - (iv) where future obligations can be reasonably foreseen, and
 - (v) where substantial risk to the Municipality may occur; and
- (e) reduce the current and future financial impacts to the taxpayer by minimizing significant budget fluctuations and reliance on debt financing by balancing the need for sufficient funds for unforeseen opportunities or obligations with the inefficient use of resources that could otherwise be used for current financial obligations or needs.

Interpretation

3. In this Administrative Order,

- (a) “Council” means the Council of the Municipality;

(b) “Municipality” means the Halifax Regional Municipality; and

(c) “Reserve” means accounts on the municipal balance sheet in which funds are held for a future use that is permitted under the *Halifax Regional Municipality Charter*.

Roles and Responsibilities

4. Council shall consider,

(a) in respect of the annual Reserve Budget, whether to

(i) approve the Reserve Budget;

(ii) refuse to approve the Reserve Budget; or

(iii) approve the Reserve Budget, with any changes Council considers appropriate; and

(b) with respect to the Reserve Business Case, whether to .

(i) approve the Reserve Business Case;

(ii) refuse to approve the Reserve Business Cases; or

(iii) approve the Reserve Business Case, with any changes Council considers appropriate.

5. The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

6. The Chief Administrative Officer may recommend to the Council that Reserve funds be expended.

7. The Director of Finance shall:

(a) review the active Reserves annually to ensure that funds are contributed and withdrawn according to the approved Reserve Business Case, relevant policies of the Municipality, and accounting policies;

(b) review each Reserve at set intervals to ensure continuing relevance and adequacy with the strategic direction of the Municipality;

(c) provide to the Council an annual report on Reserve activity and balances;
and

(d) recommend to the Council the closure of any Reserves whose purpose is outdated or to combine any Reserves with similar purposes.

Establishing a Reserve

8. The establishment of a Reserve shall require:

(a) a clear and specific purpose which captures the strategic goal and related success factors, and such purpose shall be set out in the Reserve Business Case;

(b) identifying the source of the funding for the Reserve and its relation to its stated purpose;

(c) identifying the risks and consequences of not establishing the Reserve;

(d) identifying a maximum and minimum balance which should be set to meet the purpose of the Reserve, and identified in the Reserve Business Case; and

(e) setting a start and end date for the Reserve based on its purpose, including any required conditions for renewal.

Types of Reserves

9. (1) Council may only create Reserves for the following purposes:

(a) a contingency fund for opportunities;

(b) a contingency fund for risk; and

(c) a saving funds for future obligations.

(2) A contingency fund for opportunities recognizes that:

(a) not all expenditures are planned or anticipated; and

(b) an opportunity may arise to develop services or achieve efficiencies and that the Municipality must react rapidly or lose that opportunity, such as a sudden change in the economy or the introduction of cost shared programs from other levels of government or the private sector.

(3) A contingency fund for risk recognizes that:

(a) the financial risk of unforeseen events involving substantial costs, such as emergencies or economic events, and that a Reserve can mitigate this risk by providing funding for sufficient public safety or preventing service interruptions.

(b) a withdrawal from a contingency fund for risk must be quantifiable or subject to estimate based on assumptions.

- (4) A saving fund for future obligation recognizes that:
- (a) an obligation may be associated with recapitalization of a specific asset where the estimated lifecycle cost of an asset can be reasonably estimated;
 - (b) an obligation may be associated with a strategic plan where the asset or project may not yet be specified, such as the purchase of land; and
 - (c) that a future expenditure may be managed through the long-term operating or capital budget, depending on the magnitude or situation of the obligation.

Administration of Reserves

10. No Reserve shall have a negative balance.
11. (1) Staff shall not redesignate or transfer funds between Reserves for short-term needs unless approved by the Council.
- (2) If Council approves an inter-reserve transfer or to redesignate funds pursuant to subsection (1) of this section, the resolution granting such approval shall prescribe the terms of repayment to a maximum of three (3) years to return the Reserve to its original purpose.
12. A Reserve may be funded by internal or external sources, providing that the source of the funds does not impose restrictions on the use of such funds that are contrary to the purpose of the Reserve.

Amendments to Reserves

13. (1) Amendments to an existing Reserve may result from a change in the strategic direction of the Municipality, or the relevance of the Reserve's defined purpose.
- (2) Upon review by staff of the change in strategic direction or the change in defined purpose, staff may recommend to the Council that the Reserve be revised or closed and Council may consider such a recommendation.

Corrections to Reserves

14. Management of Reserve balances and correction of errors may be approved by the Director of Finance, within the parameters of Council's direction as set out in the approved Reserve Business Case.

Repeal

15. The Reserves Policy adopted by the Council on December 1, 1998 is repealed.

Done and passed this 28th day of October, 2014.

Mayor

Municipal Clerk

I, Cathy Mellett, Municipal Clerk of the Halifax Regional Municipality, hereby certify that the above noted Administrative Order was passed at a meeting of Halifax Regional Council held on October 28, 2014.

Cathy Mellett, Municipal Clerk

Notice of Motion:
Approval:

October 21, 2014
October 28, 2014