



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
June 17, 2015**

PRESENT: Councillor Bill Karsten, Chair
Councillor Linda Mosher, Vice-Chair
Councillor Barry Dalrymple
Councillor Gloria McCluskey
Councillor Reg Rankin
Councillor Steve Craig
Mayor Mike Savage

STAFF: Mr. Bruce Fisher, Acting Chief Financial Officer
Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, Municipal Solicitor
Mr. Liam MacSween, Legislative Assistant

The following does not represent a verbatim record of the proceedings of this meeting.

The agenda, supporting documents, and information items circulated to the Audit & Finance Standing Committee are available online: <http://www.halifax.ca/boardscom/SCfinance/150617afsc-agenda.php>

The meeting was called to order at 10:00 a.m., the Standing Committee moved into an In Camera session at 12:17 p.m. and reconvened at 12:30 p.m. the Standing Committee adjourned at 12:31 p.m.

1. CALL TO ORDER

Councillor Linda Mosher, Vice-Chair called the meeting to order in Council Chambers, 3rd Floor City Hall, 1841 Argyle Street, Halifax.

2. APPROVAL OF MINUTES – NONE

3. APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS

Additions: 12.1 In Camera – Personnel Matter

MOVED by Councillor McCluskey, seconded by Councillor Rankin, that the agenda be approved as amended. MOTION PUT AND PASSED (2/3 Majority Vote Required).

4. BUSINESS ARISING OUT OF THE MINUTES

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RESCISSION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS – NONE

8. CORRESPONDENCE, PETITIONS & DELEGATIONS

8.1 Correspondence

The Legislative Assistant noted correspondence received in relation to Item No. 9.1.4 which has been circulated to members of the committee.

8.2 Petitions – NONE

8.3 Presentation – NONE

9. REPORTS

9.1 STAFF

9.1.1 Year End Financial Statements

The following was before the Standing Committee:

- *A staff recommendation report dated June 8, 2015*

Mr. Louis De Montbrun, Manager of Financial Reporting provided a presentation on the Year End Financial Statements, the Miscellaneous Trust Funds, and the General Rate Surplus.

Councillor Karsten joined the meeting at 10:25 a.m.

Councillor Karsten assumed the position of Chair and thanked Mr. De Montbrun for his presentations. He asked members of the Audit & Finance Standing Committee for questions of clarification.

Councillor McCluskey inquired as to when the last tax assessment was completed on the Shannon Park site in Dartmouth.

Mr. Jerry Blackwood, Manager of Revenue noted that there is both a residential and commercial tax rate applied to the Shannon Park property. He advised that the property would be assessed at the value that was listed on the 2014 Assessment Roll.

Councillor McCluskey inquired if credit card payments for HRM staff are paid on time and whether or not interest is incurred. Mr. De Montbrun commented that there are no interest charges which are accrued for HRM credit cards and that all payments are made on time.

In response to a follow up question from Councillor McCluskey, Mr. Peter Stickings, Manager of Real Estate stated that the work at Alderney Gate includes a retrofit to the elevator, remodeling on the first floor and the new public and Community Council space which is all on track for completion this year.

Councillor McCluskey further inquired as to how many assessment appeals have been received by staff and how much was set aside.

Mr. Blackwood commented that staff has put aside approximately \$2.7 million for assessment appeals. He provided a breakdown of the figure noting that \$100,000 has been set aside for apartment assessment appeals, \$300,000 for residential assessment appeals and \$2.4 million for commercial assessment appeals.

MOVED by Councillor Rankin, seconded by Councillor McCluskey that the Audit and Finance Standing Committee forward the following to Regional Council for approval:

- **The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2015.**
- **The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2015.**
- **Additional transfers, in addition to the \$3,101,000 approved March 10, 2015, of \$8,711,995, as outlined below, to reduce the general rate deficit to zero:**

HRM Sustainable Communities reserve, Q127	\$ 120,525
Waste Resources Capital reserve, Q123	\$ 7,978,000
Operating Surplus reserve, Q328	\$ 613,470

It is further recommended by the Audit & Finance Standing Committee that Halifax Regional Council consider this matter at its June 23, 2015 as it is time sensitive.

Councillor Rankin requested further information with respect to the structural deficit that is project for 2014-15 and inquired if cost overruns in the snow clearing budget has had an impact in that regard.

Mr. Bruce Fisher, Acting Chief Financial Officer commented that there are several factors which lead to the deficit, such as cost overruns with respect to snow clearing, a \$4.7 million decline in deed transfer taxes, and costs associated with the Halifax Transit fuel leak. He advised that the fuel leak was a one-time occurrence and provided further commentary with respect to the difficulty in predicting weather patterns. He commented that a review of snow clearing is forthcoming and advised that council and staff must be cautious to not over budget for snow clearing activities based on the outcome of one winter.

Councillor Rankin further inquired about recent changes to accounting policies related to liability for contaminated sites and inquired if staff's feels as though the \$1 million figure which has been applied in this regard is adequate to deal with contaminated sites.

Mr. De Montbrun commented that the \$1 million liability fund is for contaminated sites that are currently not in use by the municipality. He advised that staff is confident that the \$ 1 million is a reasonable

number but noted that changes to that policy may be forthcoming pending further review as the policy is new.

Mr. Fisher commented that the staff will be monitoring the new process for contaminated sites not in use very closely.

Councillor Craig expressed concern that the financial notes on page 13 of the Consolidated Financial Statements related to Investment in the Halifax Water Commission do not accurately reflect the current governance and organizational of the Halifax Regional Water Commission. He advised that HRM does not own the Halifax Water Commission and does not have oversight over its operations.

Mr. John Traves, Municipal Solicitor left the meeting at 10:50 a.m.

Mr. Martin Ward, Senior Solicitor joined the meeting at 10:50 a.m.

Councillor Craig suggested the following amendment to the main motion:

MOVED by Councillor Craig, seconded by Councillor Rankin that note 7 on page 13 of the Consolidated Financial Statements related to Investment in the Halifax Regional Water Commission accurately reflect the current governance and organizational structure related to the Halifax Water Commission.

Mr. Martin Ward, Solicitor noted that the proposed amendment to the motion allows flexibility for staff to examine the matter further before the report is forwarded to Regional Council.

Councillor Dalrymple noted his concern with the proposed amendment and stated that he will not support the amendment.

Mr. De Montbrun commented that staff will assess the proposed amendment under the current accounting standards and follow up with Legal Services to ensure that the notes reflect the accurate governance and organizational model for the Halifax Regional Water Commission.

Mr. Carey Blair, Senior Partner KPMG, commented that his staff will revisit the notes to ensure accuracy and completion.

MOTION TO AMEND PUT AND PASSED.

The motion before the committee now reads:

MOVED by Councillor Rankin, seconded by Councillor McCluskey that the Audit and Finance Standing Committee forward the following to Regional Council for approval:

- **The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2015.**
- **The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2015 with the condition that that note 7 on page 13 of the consolidated Financial Statements (attachment 1 of the staff report dated June 8, 2015) related to Investment in the Halifax Regional Water Commission accurately reflect the current governance and organizational structure of the Halifax Regional Water Commission.**
- **The statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2015;**
- **Additional transfers, in addition to the \$3,101,000 approved March 10, 2015, of \$8,711,995, as outlined below, to reduce the general rate deficit to zero:**

HRM Sustainable Communities reserve, Q127	\$ 120,525
Waste Resources Capital reserve, Q123	\$ 7,978,000
Operating Surplus reserve, Q328	\$ 613,470

It is further recommended by the Audit & Finance Standing Committee that Halifax Regional Council consider this matter at its June 23, 2015 as it is time sensitive.

In response to a follow up question from Mayor Savage, Mr. Blackwood provided examples of revenue collected in previous years for deed transfers and noted that it is subject to change with the overall sale of property in the municipality.

Councillor Dalrymple inquired if the accounting policy for contaminated sites has provisions for natural contaminants such as acidic slate. Mr. De Montbrun commented that the policy allows for man-made contamination such as an oil spill.

In response to a follow up question from Councillor Dalrymple, Mr. Stickings commented that Administrative Order 50, respecting the Disposal of Surplus Property requires staff to present a surplus property report to Council on a yearly basis. He advised that staff actively review the number of surplus properties and advised that the asset group has an indicative value of \$60 to \$70 million.

Mayor Savage left the meeting at 11:30 a.m.

Mr. Carey Blair, Senior Partner KPMG provided an overview of the Audit Findings Report noting that no significant deficiencies or corrections to HRM's internal controls.

Further discussion ensued.

MOTION PUT AND PASSED.

9.1.2 Fourth Quarter 2014/15 Financial Report

The following was before the committee:

- *A staff recommendation report dated June 5, 2015*

MOVED by Councillor Rankin, seconded by Councillor Craig that the Audit & Finance Standing Committee forward the Fourth Quarter 2014/15 Financial Report dated June 5, 2015 to Regional Council as an information item.

MOTION PUT AND PASSED

9.1.3 2015 Connect2 Funding Application

The following was before the committee:

- *A committee report dated May 29, 2015*

MOVED by Councillor Mosher, seconded by Councillor Rankin that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

- 1) Submit an application to the provincial Connect2 funding program for the COLT-to-North West Arm Drive Greenway Phase 1 Bridge Construction and Phase 2 Alignment/Design Study, and**
- 2) Contingent on the provincial approval of Connect2 funding, to increase the project budget for Active Transportation (CTU00420) by the amount of the Connect2 funding award and to**

increase the scope of the Chain of Lakes Trail to North West Arm Drive Greenway project, accordingly.

- 3. That this matter be forwarded to the June 23, 2015 meeting of Regional Council June 23, 2015 to meet the June 30, 2015 application deadline.**

Councillor Mosher noted her support for the recommendation and stated that it will be a great opportunity for the community of Armdale.

Councillor Rankin noted his support for the recommendation and advised that he looks forward to further discussion at Regional Council.

MOTION PUT AND PASSED

9.1.4 Navigator Program

The following was before the committee:

- *A committee report dated May 22, 2015*
- *Correspondence from Patricia Cuttell, North End Business Association dated June 8, 2015*
- *A submission from Maggie McDonald, Managing Director Government Relations and External Affairs, dated June 17, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Craig that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

- (i) Give consideration to funding the Navigator Street Outreach Program in the 2015-2016 fiscal year, resulting in an increase to operating cost centre E400 — Intergovernmental Relations by \$45,000, with funding as a withdrawal from the Operating Surplus Reserve, Q328; and**
- (ii) If Council chooses to make a contribution to the Navigator program, direct staff to negotiate a contribution agreement between HRM and the Downtown Halifax Business Commission that sets out the terms and conditions governing the municipal contribution to the Navigator program for the fiscal year 2015-2016, and return to Council for consideration of the resulting agreement.**

Councillor McCluskey noted her support for the staff recommendation and commented that the Navigator program is a worthwhile pursuit.

Councillor Mosher inquired if there is ability for other Business Improvement Districts outside of the downtown area to participate in the Navigator Outreach Program.

Ms. Maggie MacDonald, Managing Director of Government Relations and External Affairs commented that the program is specific to the Downtown Halifax and Dartmouth areas but noted that staff is open to discussions with other Business Improvement Districts in that regard.

MOTION PUT AND PASSED.

9.1.5 Property Disposal - 90 Alderney Drive, Dartmouth

The following was before the committee:

- *A staff recommendation report dated May 27, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Rankin that the Audit and Finance Committee recommend that Halifax Regional Council:

1. authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale with Banner Developments Ltd., or assignee, for 90 Alderney Drive, Dartmouth, as per the terms and conditions outlined in this report and Table 1 in the Confidential Information Report dated May 27, 2015;
2. authorize the Mayor and Municipal Clerk to enter into an Easement Agreement with Heritage Gas, for rights to access, service and maintain an HRM natural gas lateral from Alderney Drive to service Alderney Gate over HRM property, as per the terms and conditions outlined in Table 2 of the staff report dated May 27, 2015; and
3. approve an increase to the Capital Project Account #CBX01275 — Electrical (Category 7) in the amount of \$211,200 plus net HST, with no net increase, to be funded from the Sale of Land Account Q101 for property servicing costs as outlined in Table 2 in the Confidential Information Report dated May 27, 2015.
4. It is further recommended that Halifax Regional Council consider this matter at its June 23, 2015 meeting as it is time sensitive.

Councillor McCluskey noted her support for the staff recommendation and advised that the funds from the sale of the property will be used toward the creation of a museum.

Mr. Ward left the meeting at 11:50 a.m.

Ms. Karen MacDonald, Solicitor joined the meeting at 11:50 a.m.

MOTION PUT AND PASSED.

9.1.6 Lease Amendment, Her Majesty the Queen, Public Works and Government Services Canada, 40 Alderney Drive, Dartmouth

The following was before the committee:

- *A staff recommendation report dated June 1, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Craig that the Audit and Finance Committee recommend that Halifax Regional Council:

1. authorize the Mayor and Municipal Clerk to execute a lease amendment to extend the term of the lease agreement between the Halifax Regional Municipality (Landlord) and Public Works and Government Services Canada (Tenant) for the premises at 40 Alderney Drive, as per the terms and conditions outlined in Table 2 of the staff report dated June 1, 2015;
2. authorize the Mayor and Municipal Clerk to enter into Sub Agreements for Lessee's Improvements as per the existing Lease Agreement between the Halifax Regional Municipality and Public Works and Government Services Canada for the premises at 40 Alderney Drive; and
3. approve an increase of \$1,838,270 to Capital Budget Account CB000066 – Alderney Gate VAC and CRA Renovations, with no net increase to the Capital Budget as per the Financial Implications Section of the staff report dated June 1, 2015, to reflect the cost reimbursement from Her Majesty the Queen, Public Works and Government Services Canada for leasehold improvements to the leased premises; and
4. Approve the contribution of the 10% project management fee revenue of approximately \$180,000 to Q135 – Alderney Gate Recapitalization/Leasehold Improvement Reserve to fund future recapitalization projects.

MOTION PUT AND PASSED.

9.2 OFFICE OF THE AUDITOR GENERAL

9.2.1 T.I.P.S. Hotline - 2014 Annual Report (Taking Improvement and Performance Seriously)

The following was before the committee:

- *A report from the Office of the Auditor General dated June 17, 2015*
- *A presentation from the Office of the Auditor General dated June 17, 2015*

Mr. Larry Munroe, Auditor General provided a presentation on the TIPS Hotline Report. Councillor Karsten thanked Mr. Munroe for his presentation and requested questions of clarification from members of the Committee.

Councillor Rankin commented that the TIPS line receives less than once call per week and inquired about the cost to maintain the service. He requested further information with respect to the overall trends in calls received by the line.

Mr. Munroe noted that the cost to the line is very minimal. He commented that the types of matters tend to be broad based. He noted subject matters such as employee conduct or the misuse of assets. He advised that in some cases calls which are received by the line can be categorized as a misunderstanding.

Councillor Dalrymple noted a column within the report which notifies whether or not a complaint is founded or unfounded to determine whether or not a complaint is valid.

Mr. Munroe commented that his Office tracks whether or not complaints received through the TIPS line are founded or unfounded to determine validity. He further advised that follow up with the complainant also takes place to ensure that the correct information is provided for clarity.

Mr. Munroe provided a brief update to the committee with respect to ongoing work in relation to Risk Ranking. He advised that a report will be brought forward on this matter in the future and published on the website.

Mr. Monroe acknowledged Mr. David Marr, Mr. Jordy Mann and Ms. Cindy Lee of the Office of the Auditor General who were involved in bringing the report and presentation forward to the committee.

9.3 INVESTMENT POLICY ADVISORY COMMITTEE – NONE

9.4 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

9.5 GRANTS COMMITTEE – NONE

10. MOTIONS – NONE

11. IN CAMERA

Private and Confidential Information Item

1. Private and Confidential Information report dated May 27, 2015 re: Property Disposal - 90 Alderney Drive, Dartmouth

12. ADDED ITEMS

The Audit & Finance Standing Committee convened to an In Camera session to discuss the following:

12.1 In Camera – Personnel Matter

This matter was dealt with during an In Camera session.

13. NOTICES OF MOTION – NONE

14. DATE OF NEXT MEETING – July 15, 2015

15. ADJOURNMENT

The meeting adjourned at 12:56 p.m.

Liam MacSween
Legislative Assistant