



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
July 15, 2015**

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

REGRETS: Councillor Barry Dalrymple
Councillor Gloria McCluskey

GUESTS: Deputy Mayor Lorelei Nicoll
Councillor Wayne Mason
Councillor Jennifer Watts
Councillor Matt Whitman
Councillor Tim Outhit

STAFF: Mr. Bruce Fisher, Acting Chief Financial Officer
Mr. Mike Labrecque, Acting Chief Administrative Officer
Ms. Karen Brown, 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 Standing Committee are available online: <http://www.halifax.ca/boardscom/SCfinance/150715afsc-agenda.php>

The meeting was called to order at 10:02 a.m., and adjourned at 11:45 a.m.

1. CALL TO ORDER

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

2. APPROVAL OF MINUTES – May 20 & June 17, 2015

MOVED by Councillor Craig, seconded by Mayor Savage

THAT the minutes of May 20 & June 17, 2015 be approved as circulated. MOTION PUT AND PASSED.

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

Additions: None

MOVED by Councillor McCluskey, seconded by Councillor Rankin,

THAT the agenda be approved as presented.

MOTION PUT AND PASSED.

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 – NONE

9. REPORTS

9.1 STAFF

9.1.1 Project ICT0961 - Election Management Solution - Authorization for Capital Project Increase

The following was before the Standing Committee:

- *A staff recommendation report dated June 25, 2015*

MOVED by Councillor Rankin, seconded by Councillor Craig

THAT the Audit & Finance Standing Committee Standing Committee recommend that Halifax Regional Council:

- 1. Increase Capital Project Account C1990015 - Election Management Solution for the sum of \$87,500 (net HST included) with funding from the Municipal Elections Reserve, Q313.**

2. **Pending a review of the projected Elections Reserve balance at March 31, 2016, consider an additional contribution of \$87,500 to the Reserve in the 2016/17 operating budget.**

In response to a question from Councillor Craig, Ms. Lori McKinnon, Election Coordinator noted that staff currently has a user agreement for the election management solution in place and will be modifying the existing solution to meet election requirements. She further advised of the intention of staff to include the addition of an election result module to facilitate result monitoring.

MOTION PUT AND PASSED.

9.1.2 United Way Housing First Funding Request

The following was before the Standing Committee:

- *A staff recommendation report dated May 8, 2015*
- *A presentation dated July 15, 2015*

MOVED by Mayor Savage, seconded by Councillor Rankin

THAT the Audit and Finance Standing Committee recommend that Halifax Regional Council:

1. **Direct staff to negotiate a Contribution Agreement with the United Way of Halifax Region to support Housing First Program — Phase One and that the resulting Agreement include the following key conditions:**
 - (i) **that the term of the Agreement shall be one fiscal (1) year, starting in 2015/16 fiscal and that the amount of the grant or contribution shall not exceed \$25,000;**
 - (ii) **the Agreement shall provide, at the Municipality's option, the ability to annually renew the Agreement up to a total of three (3) additional fiscal years beginning in 2016/2017 fiscal year and ending in 2018/2019 fiscal year, providing the annual grant or contribution for any renewable term shall not exceed \$25,000 per fiscal year and the combined sum of the grants or contributions for the four (4) fiscal years starting in 2015/2016 shall not exceed \$100,000;**
 - (iii) **the Agreement shall not be renewed beyond the 2018/2019 fiscal year without Council approval;**
 - (iv) **that any annual grant or contribution be subject to Council approving, in the budget, the funds for the grant or contribution for the applicable fiscal year; and**
 - (v) **that the Contribution Agreement shall require annual reporting which accounts for the expenditures of any grant or contribution received by the Municipality since the last reporting period; and**
 - (v) **To fund the request from Operating Account # C320-6399; and**
 - (vi) **Authorize the Chief Administrator Officer to:**

enter into and execute the resulting Contribution Agreement and any amendments thereto on behalf of the Municipality; and negotiate, enter into and execute any renewals of the Contribution Agreement on behalf of the Municipality.
2. **Direct staff to develop an approach to considering any future housing related funding requests outside the Community Grants Program, including evaluation and potential**

funding, and return with a recommendation to Community Planning & Economic Development Committee and the Audit & Finance Committee for consideration by Regional Council.

Councillor Mosher joined the meeting at 10:10 a.m.

Several members of the committee spoke in support of the staff recommendation.

MOTION PUT AND PASSED.

- 9.1.3 Tenders - Winter Snow and Ice Control**
Award Tender No. 15-071 - Waverley/Cole Harbour / Eastern Passage
Award Tender No. 15-072 - Hammonds Plains / Bedford
Award Tender No. 15-073 - Herring Cove / Bayers Lake/ Timberlea
Award Tender No. 15-080 - Lakeview / Lower Sackville

The following was before the Standing Committee:

- *A staff recommendation report dated*

MOVED by Councillor Craig, seconded by Mayor Savage

That the Audit and Finance Committee inform Council that the potential \$6,000,000 shortfall resulting from their approval of the attached tenders would be offset by operational savings within the Snow and Ice budget, through the projections reporting and, if required, by funding any remaining shortfall through reserves.

It is recommended that the Audit & Finance Committee recommend that Halifax Regional Council award Tender 15-071, 15-072, 15-073 for Winter Streets Snow and Ice Control to the lowest bidder, meeting specifications noted and at the estimated prices provided below, for the period of November 1 to May 15 inclusive each year of a four-year term for years 2015/16 through 2018/19, with four (4) one year options (at HRM's sole discretion).

It is also recommended that the Audit & Finance Committee recommend that Halifax Regional Council award Tender 15-080 for Winter Streets Snow and Ice Control to the lowest bidder, meeting specifications noted and at the estimated price provided, for the period of November 1 to May 15 inclusive each year of a two-year term for years 2015/16 and 2016/2017.

Each year of the agreement will be subject to annual review of performance, service and operational requirements. Funding will be from Operating Account R880-6399, as outlined in the Financial Implications section of the staff report dated July 10, 2015. The recommended bidders are:

Award Tender 15-071 to Ocean Contractors for a total estimated tender price of \$17,459,457.83 (net HST included).

Award Tender 15-072 to Dexter Construction for a total estimated tender price of \$14,412,846.63 (net HST included).

Award Tender 15-073 to Dexter Construction for a total estimated tender price of \$11,526,418.72 (net HST included).

Award Tender 15-080 to Dexter Construction for a total estimated tender price of \$3,554,588.31 (net HST included).

It is further recommended that this matter be forwarded to Regional Council for its July 21, 2015 meeting.

Councillor Craig expressed concern with the proposed staff report noting that the outsourcing of winter works tenders has not yet been reviewed by Council. He advised that the tenders do not have to be accepted or rejected until after a sixty day waiting period and further conveyed concern that Council has not had the opportunity to discuss winter works standards prior to the report being considered by the Audit & Finance Standing Committee. He commented that he will likely move a motion of deferral on the matter pending further input from members of the committee.

Councillor Mosher stated her intention to not support the staff recommendation. She advised that many Councillors had requested a Committee of the Whole on service standards prior to considering snow and ice removal contracts. She advised that she cannot support proceeding with staff recommendation before having a discussion on snow and ice removal service standards at Committee of the Whole.

Mr. Bruce Fisher, Acting Chief Financial Officer noted that the intention of the staff report is not to replace the service standards discussion but rather, to assist in consolidating some of the underlying issues with respect to snow clearing faced by the municipality. He provided background information in relation to the differences in fixed and variable costs for in-house snow and ice removal staff contrasted with that of performance based contracting. He advised that variable costs for in-house staff had increased significantly over the past year and noted staff's concern in mitigating the financial risks associated with this trend.

Mr. Fisher commented that the increases in variable costs for in-house staff relate primarily to the amount of snow and ice events which took place over the past year. He advised of staff's strategy to reduce the amount of risk from in house snow clearing by moving to performance based contracting where the level of variable hourly costs for snow removal services tend to be quite lower.

Mr. Fisher commented that performance based contracting for snow and ice removal is fundamentally different than what has been used in the past. As such, he commented that it will require changes to the way that staff prepares the budget. He advised that all work with respect to the upcoming snow removal budget has not yet been completed but noted that an additional \$ 6 million is required to complete the move to performance based contracts. Mr. Fisher stated that staff has already identified efficiency savings of \$2 million through the reduction of variable costs for in-house staff. He further advised that there is potential for more savings through further in-house variable cost reductions. He commented that any remaining budget gap, if present, can be covered through corporate reserves. Mr. Fisher explained that there are time and priority issues with respect to getting the tenders out and deferred to his colleagues in Transportation and Public Works to provide further context with respect to timing.

Mr. Taso Koutroulakis, Acting Manager, Transportation and Public Works commented that there are time restrictions involved with respect to the performance based contracts which were outlined by staff during the budget presentations for Transportation and Public Work. He advised that some of the existing performance based contracts were set to expire in the current year and noted that vendors need an ample amount of time to prepare for the new contracts as it takes several months to secure the heavy equipment required to properly remove snow and ice. He provided commentary on staff position to allow for enough time for the successful vendors to prepare for the winter months. He further advised that there is language within the contracts to allow for changes to the service standards.

Mayor Savage noted that he was surprised that the report had been brought forward. He stated that the Committee of the Whole session on snow and ice removal standards is scheduled to take place after the consultant's report has been completed and agreed with Councillors Craig and Mosher's assessment with respect to timing. He remarked on his need to understand how critical it is to deal with the report prior to having the scheduled discussion at Committee of the Whole and expressed concern in ensuring that

proper levels of service for citizens are maintained. He further inquired as to opportunities for public consultation with respect to snow removal contracts.

Mr. Darrin Natolino, Winter Works Superintendent noted that it is critical that the tenders be considered by Council sooner rather than later as there are time sensitivities in relation to the successful vendors securing the necessary equipment to be fully prepared for the winter season. He advised that any delay in this regard could be detrimental if the winter comes early.

Mr. Natolino stated that the new performance based contracts have eliminated a great deal of ambiguity and the potential for cost overruns, regardless of the amount of snow and ice that may fall during the winter. He advised that the new contracts are clear on the expectations placed on the successful bidder. He further noted that through partnering with established companies on a performance basis, there is ample motivation to complete the work efficiently and properly to avoid cost overruns.

Mr. Natolino noted that Transportation and Public Works staff will always be challenged with dramatic shifts in weather patterns. He advised of language within the contracts which requires the successful bidders to use separate equipment to clear catch basins during weather events to prevent flash freeze and flooding situations. With respect to further public consultation, Mr. Natolino commented that staff could have done a better job last winter, particularly with the disabled community. He remarked that staff will focus on better communication with the public and suggested that increased capacity through performance based contracting will assist in ensuring that streets and sidewalks are cleared better and quicker.

Councillor Rankin expressed concern that the budget for snow removal has been consistently underestimated in previous years and noted that variable costs for in-house staff removal has been an issue for quite some time. He commented that he would not be inclined to support the staff recommendation at this point and advised that a discussion on service standards needs to take place prior to a decision on approving the performance based contracts.

Councillor Karsten advised that the committee has not been asked to approve the contract at the current meeting. He stated that the standing committee must forward a recommendation on this matter to Council. He suggested that a Committee of the Whole session should take place prior to or on the same day as the last scheduled meeting of Council before the summer break.

Councillor Mason stated that councillors are quite aware of the difference between performance based contracting and in-house snow clearing. He advised that Council must make a decision on the amount of money that is placed in the budget for snow removal which is the expressed purpose of a service standard discussion. He expressed his frustration that the report is before the committee prior to the scheduled discussion at Committee of the Whole and urged members of the committee to defer the matter until the discussion has taken place.

Councillor Outhit agreed with the comments offered by his colleagues and expressed his concern that a decision on the matter is taking place prior to discussion by Committee of the Whole. He provided further commentary with respect to performance based contracting in densely populated urban areas and expressed concern with the adequacy of service that will be provided through contracted companies.

Councillor Whitman agreed with the assessments of his colleagues noting his appreciation for the time sensitivities involved but expressed concern with providing a decision on the report before having a discussion on the service standards at Committee of the Whole.

Deputy Mayor Nicoll provided commentary with respect to policy and process and stated that the discussion on the policy should have taken place prior to the process of awarding contracts. She noted the delineation between in house service and performance based contracting and the level of service that is expected by the tax payer. She commented that she would support a deferral on this matter, but advised that the Committee of the Whole discussion should take place sooner rather than later.

Councillor Craig noted his opinion that there is a governance issue involved with respect to the snow removal standards and question how stringent the timelines are with respect to the tenders.

MOVED by Councillor Craig, seconded by Mayor Savage

THAT the staff report dated July 10, 2015 be referred to Halifax Regional Council for consideration following the upcoming Committee of the Whole meeting on Snow and Ice removal.

In response to a follow up question from Mayor Savage, Mr. Koutroulakis commented that discussions were held at both the Transportation and Public Works budget presentation and the end of year meetings with members of Council regarding the expiration of the performance based contracts and the need to get the tenders to market as soon as possible.

Mr. Natolino commented that the feedback provided from members of Council at the end of the year meetings is similar to the concerns expressed by the committee.

Mr. Mike Labrecque, Acting Chief Administrative Officer noted his appreciation for the concerns raised by the committee with respect to the issuance of the tenders. He advised that the intention was to have the necessary work complete in time for the scheduled Committee of the Whole meeting on Snow and Ice removal. He advised that staff ensured that there were provisions in the contracts to allow for flexibility with regard to changes to service standards and suggested that the report be dealt with on August 4, 2015 after the discussion on service standards.

Councillor Watts provided commentary with respect to cost savings and the potential reduction in service delivery. She noted difficulties with respect to sidewalk clearing and inquired as to what steps staff are taking to ensure improvements in this regard.

Mr. Natolino advised that staff is also working on improved service standards for sidewalk clearing and is currently reviewing how to better align contract terms for sidewalk snow removal.

Further discussion ensued.

MOTION PUT AND PASSED.

9.2 OFFICE OF THE AUDITOR GENERAL – NONE

9.3 INVESTMENT POLICY ADVISORY COMMITTEE – NONE

9.4 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

9.5 GRANTS COMMITTEE – NONE

10. MOTIONS

11. IN CAMERA

11.1 Approval of In Camera Minutes – June 17, 2015

The following motion was approved in public session:

MOVED by Councillor Craig, seconded by Mayor Savage

THAT the Audit & Finance Standing Committee approve the June 17, 2015 In Camera minutes as circulated.

MOTION PUT AND PASSED.

- 12. ADDED ITEMS**
- 13. NOTICES OF MOTION**
- 14. DATE OF NEXT MEETING –September 16, 2015**
- 15. ADJOURNMENT**

The meeting adjourned at 11:45 a.m.

Liam MacSween
Legislative Assistant