

AUDIT AND FINANCE STANDING COMMITTEE
MINUTES

December 19, 2012

PRESENT: Councillors: Bill Karsten, Chair
Russell Walker, Vice Chair
Gloria McCluskey
Linda Mosher
Tim Outhit
Lorelei Nicoll
Barry Dalrymple
Stephen Adams

STAFF: Mr. Greg Keefe, Director of Finance and Information,
Communications & Technology/CFO
Mr. Larry Munroe, Auditor General
Mr. Bruce Fisher, Manager, Financial Policy and Planning,
Finance and Information, Communications & Technology/CFO
Ms. Marian Tyson, Acting Director, Legal Services
Mr. Matt Godwin, Legislative Assistant

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1. CALL TO ORDER

Councillor Walker, Chair, called the meeting to order at 10:03 a.m. in the Dartmouth Council Chamber, 90 Alderney Drive, Dartmouth.

2. Election of Chair and Vice Chair

The Legislative Assistant called for nominations for the position of Chair of the Audit and Finance Standing Committee.

MOVED by Councillor McCluskey, seconded by Councillor Nicoll that Councillor Karsten be nominated for the position of Chair of the Audit and Finance Standing Committee.

MOVED by Councillor Mosher, seconded by Councillor Adams that Councillor Walker be nominated for the position of Chair of the Audit and Finance Standing Committee.

A secret ballot was cast by members of the Audit and Finance Standing Committee.

Ms. Marian Tyson, Acting Director, Legal Services counted the ballots in the presence of the Legislative Assistant and declared Councillor Karsten the winner.

Councillor Karsten assumed the Chair of the Audit and Finance Standing Committee.

Councillor Karsten thanked Councillor Walker for his service to the committee.

The Chair called for nominations for the position of Vice Chair of the Audit and Finance Standing Committee.

MOVED by Councillor Nicoll, seconded by Councillor McCluskey that Councillor Outhit be nominated for the position of Vice Chair of the Audit and Finance Standing Committee.

MOVED by Councillor Mosher, seconded by Councillor Dalrymple that Councillor Walker be nominated for the position of Vice Chair of the Audit and Finance Standing Committee.

A secret ballot was cast by members of the Audit and Finance Standing Committee.

Ms. Marian Tyson, Acting Director, Legal Services counted the ballots in the presence of the Legislative Assistant and declared a tie vote.

Councillor Outhit withdrew his nomination.

Councillor Walker is assumed the role of Vice Chair of the Audit and Finance Standing Committee.

3. APPROVAL OF MINUTES – November 28, 2012

MOVED by Councillor McCluskey, seconded by Councillor Mosher that the minutes of November 28, 2012 be approved as presented. MOTION PUT AND PASSED.

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

Moved:

10.3 OFFICE OF THE AUDITOR GENERAL be moved up in the agenda.

MOVED by Councillor McCluskey, seconded by Councillor Nicoll that the agenda, as amended, be approved. MOTION PUT AND PASSED.

5. BUSINESS ARISING OUT OF THE MINUTES – NONE

6. MOTIONS OF RECONSIDERATION – NONE

7. MOTIONS OF RECISION – NONE

8. CONSIDERATION OF DEFERRED BUSINESS – NONE

9. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

10. REPORTS

10.1 Staff

10.1.1 Revenue Targets

Mr. Bruce Fisher, Manager, Financial Policy and Planning gave a presentation to members of the committee entitled 'Revenues and Taxation'.

Mr. Fisher notes our series of rates is more complex than other jurisdictions. He offered comparisons with respect to tax values between the HRM and other jurisdictions in Canada.

Mr. Fisher noted that he hears from some business leaders that there is a bias in commercial taxes and/or that HRM taxes are much higher than in other jurisdictions.

In a comparative context, Mr. Fisher noted HRM is actually in the lower-middle of Canadian averages.

He noted that the balance in HRM's taxation is represented more accurately by a ratio of roughly 6:4 with respect to residential compared to commercial tax burdens. He indicates that taxes in the downtown are higher than those elsewhere and there are few "low" commercial taxes anywhere in HRM.

Mr. Fisher presented data on why some businesses choose to locate in certain areas and ranks variables influencing these choices. Parking availability is a significant indicator.

Mr. Fisher presented options with respect to commercial taxation changes and notes investigating a two-tiered commercial tax is an option. He emphasizes staff are not asking the committee to set a tax rate, but are presenting ways to approach change.

Mr. Keefe, Director of Finance and Information, Communications & Technology/CFO, notes business units going forward will be investigating how they can make reductions so as to create sufficient room for new spending. If we lower taxes, it impedes HRM's ability to create new services.

With respect to the recommendations, Mr. Keefe explains that HRM can proceed with the first two and final recommendation (page 56 of presentation) without legislative changes.

Councillor Walker notes that after having spoken with staff and seeing the tax burden on a single family home to 2.4%, he asked staff if HRM is looking at a lift.

Mr. Keefe confirmed this is the case.

Councillor Walker notes that some of the proposed residential and commercial increases are a bit excessive. He notes that this is just the beginning of these consultations and when this information is brought before the committee again the committee needs to have a clear indication of what impact these changes will have on the average home owner.

A discussion ensued on projected changes and Mr. Keefe noted that certainty will only be possible when the assessment roll becomes available.

MOVED by Councillor Walker, seconded by Councillor Dalrymple that these recommendations be moved as a first step.

Councillor Mosher indicated she would like to have the motion split into two.

The Chair indicated that these recommendations may be split.

Councillor Mosher indicated she would like to have seen alternatives to the recommendations presented and asked if the business units are being asked to calculate these changes and whether or not they will know what they are working with. She also notes that the sale of capital assets has increased revenue; that we have not done enough to bring down overtime, and that there are other opportunities for savings and revenue generation which may avoid the need for increases.

Mr. Keefe responded to these questions by noting departments are being asked to find savings and we are working to bring spending down. The capital budget will come forward next year and notes that revenue from land sales is returned to the land reserve, which is then usually provided for capital projects. With respect to the one per cent increase in taxation, this will result in about \$2 million from residential. Ultimately, staff try to strike a balance between service provision and taxation.

A discussion ensued on overtime.

Councillor Mosher indicated that capital asset sale revenue should go to the general budget and further notes that the revenue from the selling of public assets should go into easing the tax burden.

Councillor McCluskey was displeased with the report and did not see a clear business plan. She notes that there is nothing in this report that speaks to commercial income as a tool for assessment and no information is provided with respect to rent-per-square foot. In order to acquire an accurate assessment, it is necessary to assess every property individually and this is not currently being done. She further notes that making assumptions about changing levels of taxation before we receive the assessment roll or before business units have presented their budgets is irresponsible. Finally, she notes continuing issues and frustrations with respect to the process for assessments.

Councillor Dalrymple thanked staff for this report and indicated the facts presented go some way to de-bunking popular myths about taxation. He summarizes: taxation provincially may be high, but HRM is within the lower one third of municipalities nationally. He further notes that he supports the recommendations moving forward for further consideration, but he will not support anything that lowers commercial tax in one area of the municipality rather than another.

Councillor Adams echoes Councillor McCluskey's comments regarding the inefficacy of the assessment role process. He asked for clarification on commercial taxation and staff responded that it is generally identical, but that it may be slightly higher outside the core for snow removal.

He further asked staff about commercial taxation in the downtown and if this was a concern with respect to locating a business. Staff responded by noting that the graph demonstrates which variables are stronger than others in regard to making a decision as to where to locate a business and downtown taxation is not a major consideration.

Staff further indicated that HRM compares well with similar data across the country.

Councillor Adams asked about taxation and its utility as a measure for competitiveness.

Mr. Keefe clarifies that the presentation is only reporting what staff heard from business and that none of their recommendations address competitiveness, but fairness.

Councillor Outhit noted his expectations were met with the presentation and would like to see some of this information better communicated. He would like staff to provide a shadow budget that demonstrates alternatives to those presented, such as the alternative to increasing taxes.

Mr. Keefe indicated it depends on how deeply Council is willing to cut services.

With respect to the motion on the floor, Councillor Outhit is willing to support the motion, but wants it rephrased as he doesn't want to recommend a tax increase.

The Chair reminds the committee that it is not approving these recommendations, but giving direction.

Mr. Keefe notes he can modify these recommendations based on the comments put forward by Councillors.

Councillor Nicoll echoes Councillor Outhit's comments and wants to emphasize the need to make commercial taxes predictable and would like to see HRM move forward with legislative amendments. She questioned staff on the origin of transfers from other governments and staff advised this comes from HST transfers, the resource recovery board and Sport Nova Scotia, among others.

Councillor Walker notes that this is only the beginning of the process and would like to see staff continue with this process and come back to the committee for further direction.

A discussion on taxation on capped homes ensues and Councillor Outhit notes he will not support a motion that increases taxes on capped homes.

Councillor Walker suggests that an alternative recommendation reflect a zero per cent increase and is willing to include the shadow budget in his motion.

Councillor McCluskey continues to have reservations about the motion and will not support it.

The Chair clarifies that staff will return to this committee with more information and is simply asking for the authority to investigate.

Councillor Walker and the Chair note that Councillors Craig, Whitman and Watts were present for the meeting and are invited to speak.

MOVED by Councillor Walker, seconded by Councillor Dalrymple that these recommendations be moved, as a first step, and recommend to staff to investigate:

Basing the 2013-14 average Tax Burden for single family homes on an increase of Consumer Price Index (CPI) plus 1% and consider alternatives leading to a 0% increase.

MOTION PUT AND PASSED.

Councillor McCluskey was in opposition to this motion.

Motion passed that the Audit and Finance Standing Committee, as a first step, recommend to staff that during the course of developing that budget that it investigate possible commercial tax changes including:

- **linking the commercial tax rate to GDP, not the residential tax rate;**
- **establishing a Small Property Tax Rate;**
- **basing commercial taxes on a moving average of assessed values; and,**
- **revenue alternatives to commercial assessment.**

MOTION PUT AND PASSED.

Councillor McCluskey was in opposition to this motion.

10.2. MEMBERS OF THE STANDING COMMITTEE

10.2.1 2013 Meeting Schedule – Chair

The 2013 schedule was accepted as presented.

10.3 OFFICE OF THE AUDITOR GENERAL

10.3.1 The Care of HRM Cultural Artifacts – including the Jordi Bonet Halifax Explosion Memorial Sculpture

The Care of HRM Cultural Artifacts – including the Jordi Bonet Halifax Explosion Memorial Sculpture report, dated September 2012, was before the committee.

Mr. Munroe provided a presentation on the report.

Mr. Munroe provided background on the sculpture and noted existing HRM policies with regard to artifacts. He offered six recommendations going forward with respect to this issue.

Councillor McCluskey notes there are hundreds of other artifacts not being stored or maintained properly and Mr. Munroe notes one of his recommendations recognizes the broader issue of inventorying and maintaining pieces.

Councillor Dalrymple asked if the 42,000 artifacts belonging to HRM is accurate.

Mr. Munroe noted HRM has partial, but not conclusive lists.

Councillor Dalrymple notes that many of these artifacts are probably being maintained by community groups, but HRM is unaware of their situation; the Auditor General agrees.

Mr. Munroe further indicates that an extensive search has been undertaken for the item in question, but finding it is unlikely.

Responding to another question from Councillor Dalrymple, Mr. Munroe indicates that a new policy is close to coming forward.

Councillor Adams notes that this issue has uncovered the need for an entirely new process and staff are needed to address these items on an ongoing basis. He further questions why direction by the curator was not listened to and notes that individuals not aware that this item is an artifact may have mistaken it for scrap by accident.

Councillor Nicoll appreciates seeing this item at the committee and indicates that she has come across artifacts which have not been properly stored and this is unacceptable. She further notes that staff should consider opportunities to pursue other revenue streams to help support the maintenance of artifacts. Mr. Munroe supports this approach and had not considered this opportunity.

Councillor Mosher notes that this item represents much broader issues at HRM with respect to identifying and maintaining assets and offers the examples of the Dingle and City Hall, which were not maintained as historic assets. She further suggests staff reach out to heritage groups that are willing to partner with HRM.

The Chair notes that the Auditor General's recommendations will come back to this committee with implementation steps and Mr. Munroe commits to returning to the committee to update on the policy if necessary.

10.3.2 SAP Authorizations

The SAP Authorizations – Review of Policies, Procedures and Processes report, dated November 2012, was before the committee.

Mr. Munroe thanked staff for their work on this committee.

His office reviewed access to the SAP system by HRM staff.

Mr. Munroe notes that staff authorization should not exceed what is reasonable for their position. He notes that many authorities are too high. He notes that privileges are currently assigned to the name of the staff member, rather than their position, and the proper procedure should be the reverse.

He further notes there are a large number of existing accounts belonging to staff who are no longer employees of HRM and suggests there needs to be a policy disallowing the sharing of log-on information.

The reality that this system contains sensitive and valuable information is not being adequately conveyed.

Mr. Munroe offers eleven recommendations to address the issues he has cited.

The Chair thanked Mr. Munroe for his presentation.

Councillor Mosher notes in 2011 there were changes in the SAP procedures to ensure Human Resources indicates to the correct staff when a person has left HRM, but there must be follow-up to ensure this is done. She further notes that in the private sector there is a process to ensure all authorities are turned back before staff members leave.

Mr. Munroe agrees with these points. Some roles are too broad and staff don't need as much access as they have.

Councillor McCluskey noted she is astounded that people who have left HRM still have access to the SAP.

Staff note the process works as follows: Human Resources notifies Finance of an employee's termination; IT should then disable the access of the former employee, but some employees were not terminated in the SAP.

Mr. Munroe suggests training procedures be revisited and include this information.

Mr. Munroe presented further information about ongoing efforts of the Office of the Auditor General.

11. **MOTIONS**
12. **ADDED ITEMS**
13. **NOTICES OF MOTION – NONE**
14. **IN CAMERA - NONE**
15. **DATE OF NEXT MEETING – January 16, 2013**
16. **ADJOURNMENT**

The meeting was adjourned at 12:55 a.m.

Matt Godwin
Legislative Assistant

INFORMATION ITEMS

1. Upcoming Agenda Items
 - 1.1 Community Facilities Master Plan – Funding Strategies - 2012
 - 1.2 Revised Special Events Granting Framework – 2012
 - 1.3 Multi District Facility Expansion Reserve – December 2012