

AUDIT & FINANCE STANDING COMMITTEE
MINUTES

May 18, 2011

PRESENT: Councillors Gloria McCluskey
Steve Adams
Barry Dalrymple
Bill Karsten
Linda Mosher
Tim Outhit
Sue Uteck
Russell Walker

REGRETS: Mr. Larry Munroe, Auditor General

STAFF: Mr. Bruce Fisher, Acting Director, Finance
Mr. Phil Townsend, Director, Infrastructure and Asset Management
Mr. Peter Duncan, Manager, Capital Cost Contribution Project
Mr. Peter Stickings, Manager, Real Estate and Facility Services,
Mr. Michael Wile, Business Parks Manager
Mr. Louis de Montbrun, Manager, Accounting Operations
Ms. Chris Newson, Legislative Assistant

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1. CALL TO ORDER

Councillor Gloria McCluskey, Chair, called the meeting to order at 11:05 a.m. in Halifax Hall, 2nd Floor City Hall, 1841 Argyle Street, Halifax.

2. APPROVAL OF MINUTES – April 20, 2011

MOVED by Councillor Walker, seconded by Councillor Dalrymple that the minutes of April 20, 2011, as presented, be approved. MOTION PUT AND PASSED.

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

Additions:

- 11.1 Information Item 6, Auditor General's Report – Grants, Donations, Contributions – Councillor Mosher
- 11.2 Personnel Matter – Appointments to Boards/Committees

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

4. BUSINESS ARISING OUT OF THE MINUTES - NONE

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RESCISSION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS - NONE

8. CORRESPONDENCE - NONE

9. REPORTS

9.1 STAFF - NONE

9.2 MEMBERS OF THE AUDIT & FINANCE STANDING COMMITTEE - NONE

9.3 OFFICE OF THE AUDITOR GENERAL - NONE

9.4 SUB COMMITTEES

9.4.1 Grants Committee – NONE

9.4.2 Investment Policy Advisory Committee – NONE

9.4.3 Special Events Advisory Committee – NONE

9.5 MATTERS REFERRED FROM REGIONAL COUNCIL

9.5.1 Long Term Capital / Budget Pressures Review

The April 28, 2011 motion from Regional Council was before the Standing Committee.

Mr. Phillip Townsend, Director, Infrastructure and Asset Management, provided a verbal update advising that the Project Steering Committee, chaired by himself with a membership including Directors and major consumers of capital such as Fire and Police services, has already met in regard to a review of the long term capital/budget pressures. The review is attempting to prioritize the needs identified through a variety of consultations in regard to how the budget should be structured and where efforts should be focussed. Ongoing discussions will include an emphasis on asset condition / management and strategic plans. Clarity is being sought on what are the most important of the important when trying to define the priorities to ensure a more complete budget process that will include Council's input prior to the budget being tabled.

As part of the review, discussion must occur in regard to services as some services do not have a relationship with the municipal infrastructure. There may be services that the municipality should not have as they may drain the municipality's ability to repair other buildings or build new ones. The quality of life in a community is impacted by infrastructure as a burned down building or leaky roof impacts service levels. A stronger focus will be placed on maintaining existing infrastructure as the Asset Management Program becomes more mature. Due to its complexity, buildings, specifically determining their condition, will be the last piece of the infrastructure review.

Mr. Townsend suggested that discussion on the structure of the budget book should also take place to ensure information is provided in a more digestible format so that there is a better idea of where money is being allocated. Discussion with the Chief Administrative Officer has occurred in regard to the possibility of having earlier capital budget approval in order to better position the municipality to balance revenue against expenditure. There may be approaches that could assist in directing funding toward the priorities of Council such as consideration of an Infrastructure Surtax.

In conclusion, Mr. Townsend explained that there will be a number of reports brought forward to the Standing Committee. He inquired as to the frequency of reporting the Standing Committee would expect from staff on this matter.

Councillor Karsten noted that finding a balance is the essence of the discussion as well as an agreed upon matrix/guideline for the budget. He stressed the importance of including previous Council focus areas and that the previously noted priority items not be lost. He suggested a strategy to forecast a year when prices may be lower for street/road work and that a possible reserve or capital be set aside for use when prices

were advantageous. He also noted that some headway was made in regard to providing ratings for prioritizing road work.

Councillor Uteck commented that a better understanding of the Reserve Business Case is also needed. Each situation should be considered on an ad hoc basis. Council requires a complete listing of inventory and its condition as consideration has to be given to the existing infrastructure and its maintenance rather than moving forward to another project as the new projects may impact other projects. She suggested that a recommendation on whether or not to close out a facility be included in the infrastructure maintenance reports. Information on how business units are making decisions is also required such as a standardized reporting/business case process. Councillor Uteck requested that public consultation be held prior to decisions being made on projects such as the Dartmouth Transit Terminal.

Councillor Adams requested a list of all outstanding capital projects that have not been completed and a status update for each uncompleted capital project including the year the project was started and what level of completion the project has reached to date.

In response to Councillor Adams' inquiry, Mr. Townsend advised that the Project Steering Committee has done a thorough job of reviewing the uncompleted capital projects in consultation with the Directors and all funding that could be skimmed from those budgets was used to balance the budget for this year.

Mr. Bruce Fisher, Acting Director of Finance, commented that better alignment of the budget/Council approval is required. He explained that just because a project is approved, does not mean the funding has to be in place right away and left to sit.

Councillor Outhit commented that the current dialogue is a great opportunity to potentially have an earlier budget with an easier to digest budget book format. Prioritizing is challenging as a resident who has issues entering/exiting their street due to road conditions would see that as a priority. He advised that he would not support a surtax, nor any new tax, but would support allocating a portion of the already collected tax toward infrastructure maintenance. He suggested that staff consider more opportunities for sponsorship opportunities, such as the BMO Center, as a wall is being hit with a tax based on assessment. Equal opportunity has to be provided for streets and road infrastructure.

Councillor Mosher noted that, currently, staff does the budget and brings it to Council at the last minute. A few years ago there was a phased in project prioritizing process with a list compiled, complete with cost estimates, and ready to be utilized when Federal funding became available. A short, medium and long term work plan is required. Residents have the perception that HRM is spending money on new projects and they do not see the history associated with those projects: residents are saying "hold on". She referred to the Greater Halifax Partnership website that references a magazine noting HRM ranking #1 for quality of life as a city of the future but is failing in regard to

infrastructure. She questioned whether HRM had to do it all and suggested that the private sector come forward. Facility use as well as the condition of the asset must be considered as services offered are not reflecting what users want today.

Councillor Karsten noted that there is a disconnect in how much HRM spends and what the public perceives. HRM does not relay to the public the challenges faced which leads people to question what Council has done in the last ten years.

Councillor Mosher noted that ongoing maintenance of HRM assets, including parks, is an area that needs to be addressed.

In response to concerns raised by Councillor McCluskey in regard to street ratings for repair work versus doing a few repairs per district, Mr. Townsend advised that this was a discussion that Council owns in regard to whether or not there is a global perspective as to how to approach these situations. He suggested that Mr. Hubley be invited to attend a future meeting to provide an update on streets/roads.

Members of the Standing Committee requested an update every two to three months on the long term capital/budget pressures review.

9.5.2 Review of the Business Park Reserve Policy

The May 3, 2011 motion from Regional Council was before the Standing Committee.

A copy of the Business/Industrial Parks Expansion Reserve – Q121 policy was before the Standing Committee.

Councillor McCluskey noted that the document circulated to the Committee was not the same document that was provided to her.

Mr. Peter Stickings, Manager, Real Estate and Facility Services, advised that staff have already commenced a review of the Business Park Reserve Policy, including a discussion with the Auditor General's Office, and have concurred that the language needs to be more robust. One sentence references that the reserve will be used *"exclusively to fund the servicing and grading of lands for sale in HRM owned business and industrial parks"*. Servicing in this case is sewer, water, however; there have been cases where the funds were used to build infrastructure to gain access into a section of a park in an area that is not specifically adjacent to the lot boundary but was required to get from A to B.

Councillor Uteck requested that a realistic, long term business case be presented to Council when being asked to consider/rationalize land being expanded for sale as the return on investment may or may not be there twenty years out. She inquired whether or not there would be tighter controls put in place in regard to the Contingency fund.

Mr. Stickings advised that the Reserve Policy will be updated. He noted that in regard to Bayers Lake, it was decided in 2003/04 that at some point traffic would reach a tipping point, even without developing the lands, and that Lacewood Drive would fail. Laying out the funding to respond to that situation could have been clearer.

Councillor Uteck requested that Council be reminded of the historic data when being asked to make a decision on land expansion.

Councillor Uteck retired from the meeting at 12:15 p.m.

Councillor McCluskey advised that her concern is whether or not funding will be available when needed to do the work as the Business Parks contribute to the commercial tax base.

Councillor Walker requested that the servicing section in the first paragraph on page 2 be moved to the second paragraph for clarity as servicing is explained in the second paragraph. He also noted that the revised policy should not include dollar figures and that it should be more generic.

Mr. Stickings advised that staff could return with an update for the June meeting as they would be meeting tomorrow to prepare a draft of the revised Policy for the Committee's review.

9.6 MATTERS REFERRED FROM STANDING COMMITTEES - NONE

10. MOTIONS - NONE

11. ADDED ITEMS

11.1 Auditor General's Report – Grants, Donations and Contributions

A copy of the Auditor General's report on Corporate Grants, Donations and Contributions was circulated to the Committee at this time.

Councillor Mosher requested clarification from the Auditor General Office on the following:

- the report indicates that Managers were contacted, however; the Manager of the Councillors Support Office was not contacted.
- role clarification of the Auditor General outside his fiscal role
- Why were similar sized municipalities not compared when discussing best practices rather than best practices in Nova Scotia (page 3)
- In regard to the proposed 15% reduction, what was the methodology used to obtain that sum; was an analysis done
- Page 6 references some transactions paid more than once; what is the significance of this statement

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- Page 16, notes that twenty-seven (27) transactions *appear* to be discretionary; clarification requested on the total number of transactions (27 out of how many); what were the transactions, and; what is the significance of the statement “*appears to be*” were the transactions discretionary or not
 - Page 25 references that approval lies with individual Councillors when actually it lies with Finance as the transaction has to be approved by Finance.
 - Councillors Discretionary Fund/District Activity Fund: Page 27 notes that Councillors have complete discretion yet there is a detailed policy with criteria that has to be met. Councillors do not have complete authority to decide where the funds go.
 - Page 39: Clarification requested on why HRM should not support the United Way as HRM does support other charities.

Councillor Mosher requested that the Auditor General respond to the concerns expressed and provide comment on how the process could be made more transparent/open. She also requested that the Auditor General speak to the Manager of the Councillors Support Office as there are processes in place in regard to the funds disbursed through the Councillors’ Discretionary and District Capital Funds.

Councillor McCluskey advised that the Auditor General had intended to include Management’s responses prior to releasing the report.

Councillor Walker expressed concern with the release of the report prior to management reviewing the material as their response should have been received prior to the release. He advised that the report will also be discussed at the next Grants Committee meeting to determine what part of the report pertains to the Grants Committee as the report was not clear on whether or not the issues were with Grants Program or the Special Events program or the Councillors’ Discretionary Fund as all were lumped together. The 15% reduction does not reference what fund or which grants.

Councillor Karsten noted that the report being released prior to Management’s response to the recommendations is contrary to what the Auditor General advised was the process for releasing reports. It is the Auditor General’s responsibility to report to the public, however; he wants the data to be factual and confirmed by Management and the report that is now in the public domain is not ‘accurate’.

Councillor McCluskey commented the budget has to be improved through stricter efficiencies, however; she questioned whether the 15% reduction proposed was a valid suggestion. The Councillor’s District Capital Fund is designed for capital projects that would not get done without that fund and cutting it would deteriorate service. The role of the Auditor General is to find efficiencies and if he feels a fund should be cut by 15% that has to be accepted.

Councillor Karsten advised that his Capital District Fund is totally transparent and no one has every questioned where those funds go as the funds are provided for projects in a district that people see, touch, feel, and; are for projects that would not be done without this fund.

Mr. Bruce Fisher, Acting Director Finance, advised that the draft report was circulated to Management to comment on any factual errors and the Auditor General did receive those comments prior to the report being released.

Councillor Adams commented that there may be a different definition of “discretionary” in regard to the Councillors’ Discretionary Fund and that the Auditor General should have been in attendance to respond to the questions being raised.

Councillor Dalrymple noted that he was surprised by the wording in the report such as “lack of accountability” in regard to the Councillors’ funds as the statement should not be made without checking it out. A lot of comments contained in the report are incomplete and inaccurate.

MOVED by Councillor Mosher that the Audit and Finance Standing Committee request that the CAO and the Administrative Standing Committee put in place performance criteria and matrix in regard to the role of the Auditor General.

Councillor Karsten noted that the position of Auditor General is new and some guidelines are needed, however; perhaps it would be prudent to wait for the new CAO to be in place and then have discussion with him in regard to best practices. The Auditor General does require total autonomy but he has been hired by HRM under a seven year contract and cannot be provided carte blanche without the ability for Council to comment.

Councillor Outhit commented that he would have preferred more clarification in the report in regard to the comments made. He clarified that the recommendation put forward by the Auditor General was for a 10% reduction over time and it was the CAO who suggested a 20% cut.

Councillor Dalrymple advised that he was not in support of the motion as the position of Auditor General has to be completely autonomous to be effective. A dialogue can occur between the Committee and the Auditor General at the Committee level rather than a motion to put rules.

Without a seconder, **the MOTION WAS LOST.**

The matter was deferred to the next meeting pending response from the Auditor General in regard to the concerns raised.

MOVED by Councillor Walker, seconded by Councillor Dalrymple that the Audit and Finance Standing Committee move In Camera at this time to deal with the Personnel Matter – Appointments to Boards and Committees. MOTION PUT AND PASSED.

The regular meeting was recessed at 12:49 p.m.

The regular meeting was reconvened at 12:52 p.m.

The Committee agreed to deal with Added Item 11.2 at this time.

11.2 Personnel Matter – Appointments to Boards and Committees

This matter was discussed during an In Camera meeting and was now before the Committee for ratification.

MOVED by Councillor Uteck, seconded by Councillor Walker that the appointments to the Grants Committee, Investment Policy Advisory Committee and the Special Events Advisory Committee be forwarded to Regional Council. MOTION PUT AND PASSED.

12. NOTICES OF MOTION – NONE

13. ADJOURNMENT

The meeting was adjourned at 12:54 p.m.

Chris Newson
Legislative Assistant

Information Items

May 18, 2011

1. Upcoming Agenda Items
 - 1.1 Presentation – Investment Policy – June 2011
 - 1.2 Proposed Civic Events Working Group – June 2011
 - 1.3 Revised Special Events Granting Framework – June 2011
 - 1.4 Proposed HRM Event Strategy – June 2011
 - 1.5 Auditor General’s Report – Grants, Contributions, Donations - June 2011
 - 1.6 Community Facilities Master Plan – Funding Strategies - (early spring 2012).