

AUDIT AND FINANCE STANDING COMMITTEE  
MINUTES

January 30, 2013

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

REGRETS: Councillor Stephen Adams

STAFF: Mr. Greg Keefe, Director of 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**

The Chair called the meeting to order at 9:32 a.m. in Council Chambers, Halifax City Hall.

**2. APPROVAL OF MINUTES – January 16, 2013**

**MOVED by Councillor McCluskey, seconded by Councillor Nicoll that the minutes, and the In Camera minutes, of January 16, 2013 be approved as presented. MOTION PUT AND PASSED.**

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

The agenda was accepted as presented.

**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, PETITIONS & DELEGATIONS – NONE**

**9. REPORTS**

**9.1 Staff**

**9.1.1 Alternative Service Delivery (ASD) Model for SAP Support Services - Due Diligence Analysis**

Ms. Donna Davis, Chief Information Officer, presented the results of the SAP due diligence report through a presentation to committee members.

Ms. Davis noted there is a need for HRM to improve management support and direction.

Ms. Davis provided a distinction between in-source and out-source models, indicating that if the model chosen is the former, HRM is responsible for strategic direction, business support, functional support and technical support. If the latter is chosen, HRM is largely responsible for only strategic direction.

Ms. Davis clarifies HRM's relationship is solely with the Province, not with IBM. She notes that, as a function of the due diligence, HRM cannot maintain the current support model and a change will have to be made regardless.

She further notes that one of the benefits of providing support work externally allows HRM to focus on other strategic areas.

With respect to ongoing operating costs, Ms. Davis expects a decline year-over-year, but her estimates will remain conservative and expect operating costs to remain level.

Ms. Davis discusses privacy concerns and notes that the data will be retained in Halifax.

With respect to Human Resources considerations, Ms. Davis notes that she has been working with HR staff to assess the impact on staff and to create a strategy to address these concerns.

Staff read out the recommendation presented in their presentation.

**MOVED by Councillor Walker, seconded by Councillor McCluskey that the Audit and Finance Standing Committee direct staff to proceed with the recommendation to enter into a formal service level agreement with Province of Nova Scotia (PNS), Department of Finance to provide SAP Support Services. The agreement will be submitted to Regional Council for approval.**

Councillor Walker opens the questioning by asking about the possibility of reneging from this agreement if it does not meet expectations.

Ms. Davis advised that the agreement is for ten years with an opt-out clause after five years. There will be penalties if the contract identifies an earlier opt-out date.

Councillor Walker asks about the nature of the agreement between the Province and IBM and if the figures we have are from the Province. He further questioned staff about what will happen to HRM's expectations if the Province changes theirs.

Ms. Davis revaluated figures with the Province from those received by the providers. Staff presently have some commitment regarding the price, but the prices will be negotiated as part of the contract and the full details will be made known when the item goes to Regional Council.

Councillor Walker asked if there is a guarantee if services will be provided in HRM.

Ms. Davis responded that the application and data will be in Halifax and managed by staff at the data centre. Daily support will be provided by IBM, possibly located in HRM, but they may have to go outside the city for expertise.

Councillor McCluskey asks if this is the least expensive option as determined by the Province.

Ms. Davis could not answer this as their relationship is solely with the Province.

Councillor McCluskey asked if the province withdraws from the agreement, does this mean that HRM is automatically withdrawn.

Ms. Davis responded that details such as these will be provided to Regional Council following the negotiation process.

Councillor McCluskey further requested information as to which HRM services are provided through the SAP.

Ms. Davis advised financial services, human resources and some asset management processes are done through SAP. She further advised that the SAP will allow HRM to improve analytics, better mine its data and ultimately provide better service.

With respect to the effect on positions, Ms. Davis advises there will be minimal impact.

Councillor Nicoll indicated the partnership with the Province to provide this service is a good cooperative decision. She asked staff why the figures indicate a six year period within the ten year agreement and why IBM?

Ms. Davis advised that the business case evaluation is usually what the Return-on-Investment period is. Staff began with a five year period and added the additional year to get an indication over a reasonable time period. The contract with the Province is for ten years, and is based on the Province's figures.

Councillor Dalrymple asked about the year-five opt-out and asked if staff have seen a contract yet.

Ms. Davis responded by stating that staff have only spoken to the Province regarding the due diligence exercise and they need approval from this committee to proceed with negotiations. She further noted that HRM could get a three-year opt-out, but this would have cost implications. However, she committed to providing Council with these options.

Councillor Dalrymple stated the need to get a guaranteed price for each year of the contract. HRM needs a secure agreement.

Ms. Davis advised that the contract is on a per-unit basis and it's up to HRM to manage its usage.

Councillor Watts asked about the decision-making process and Ms. Davis responded that staff are asking the committee to give them the direction to begin the contract discussions. The next time they return to Regional Council will be to address the contract. This is a sole-source purchase and for this reason requires additional procedures for approval.

Mr. Greg Keefe, Chief Financial Officer, advised this is an operational contract and the reason for its review here is to get the committee's input before it's taken to Regional Council.

**MOVED by Councillor Dalrymple, seconded by Councillor Outhit that the Audit and Finance Standing Committee go In Camera to discuss personnel matters. MOTION PUT AND PASSED.**

The Chair requested that only Councillors and staff pertaining to the discussion remain in the Chamber.

The public portion of the Audit and Finance Standing Committee meeting resumed at 10:27 a.m.

The Chair called the question on the motion.

**MOTION PUT AND PASSED UNANIMOUSLY.**

The Chair called a recess for the meeting.

The meeting resumed at 10:34 a.m.

### **9.1.2 Transit – Budget Presentation**

Mr. Eddie Robar, Director, Metro Transit provided a presentation to the committee.

During the presentation Mr. Robar advised that Metro Transit's recommendation is to prioritize technology and the budget presentation reflects this.

He advised that Metro Transit is recommending a change to user pay rather than a tax increase and explained that the technological requirements are largely the source of the added pressure.

The labour disruption led to a decrease in ridership and a \$2 million deficit, but staff have since recovered a balance through efficiencies.

Even if staff do not proceed with technological changes, next year's budget expenses will increase by \$2.8 million to maintain the present level of service.

Mr. Robar advises HRM's property is not tech-savvy in comparison to other cities, but Metro Transit's growth over the last decade has been exceptional when compared with other jurisdictions. He further provided a breakdown of fare comparisons between similar sized cities in Canada.

Mr. Robar provided details on what types of changes HRM is projecting with respect to technological capabilities, which will allow staff to receive more data, information and analytical abilities. The change will cost upwards of \$36 million over three years.

He further notes that staff are reaching the end of their five year operating plan and that this is a good time for stepping back and engaging Councillors and the public on what they would like to see happening to their transit system. Consultation will be completed internally and will be incorporated in the Regional Plan. Staff are asking for direction from Councillors to begin consultations.

Mr. Robar provided information on state-of-good-repair, recapitalization and long-term capital expenditures.

The Chair thanked staff for their presentation and invited questions.

**MOVED by Councillor Walker, seconded by Councillor Nicoll that the Audit and Finance Standing Committee approve the Metro Transit recommendation as the guide for 2013-14 budget preparations and make technology a short term priority.**

**It is recommended that the Audit & Finance Committee forward a recommendation to Halifax Regional Council to begin the planning process for a new Five-Year Strategic Framework.**

Councillor Walker summarizes the decision facing HRM, to ask residents to pay for the increase through an increase in tax or the riders through an increase in fares. He indicated his satisfaction with the projection for a zero tax increase over three years. He also cautioned staff on the use of the word "surplus" as this is not entirely accurate. He requested that staff provide a breakdown on how much each household is now paying for transit, whether they use it or not. He also noted renters are paying for transit through their rent.

Councillor Walker also asked staff to provide the counterfactual if a 25 cent increase is not applied.

Councillor Outhit echoed his agreement that the growth in Metro Transit and the budget projections are a good news story. While being a proponent of new technologies, he indicated the need to see a return on investment and how these changes will increase ridership and reliability. He also would like to see information on the return on investment for employing 66 supervisors. In addition, he would like information on park-

and-rides for Bedford and Hammonds Plains, as well as commuter rail and ferry terminals.

Regarding the fare vs. taxes dichotomy, he notes that everyone benefits from public transit with respect to traffic and the environment. Increasing the fare for riders who have remained customers may be penalizing them unnecessarily.

Mr. Robar responded with respect to return on investment, noting there are efficiencies, but staff don't have a quantitative report for this at present. There will likely be a return with the diminishing use of cash. An additional return will also be in the information staff receive leading to service improvements. Regarding supervision, Metro Transit is within the industry norm. In respect to the Park-and-Rides, the purpose of the consultation process is to ascertain what needs the users, residents and the system require.

Councillor Mosher indicated her support for the consultation process and a number of the technological changes staff are considering. She raised a number of concerns, including Connaught Ave., which is very busy, but does not have a bus route. Congestion on Herring Cove is a major issue, as are the long queues going through the rotary every day. She referenced Councillor Outhit's comments and noted the need for serious reconsideration of commuter rail and for a high-speed ferry service, which she raised as far back as 2001. Bus lanes might be helpful in some places, but HRM has to look beyond this and get vehicles off the roads. She further asked if a house valued at \$280,000 pays roughly \$450 per year in taxes for transit.

Mr. Robar indicated he believed this is accurate for regional and local transit.

Councillor Nicoll indicated her support for this technology. She would like to see these new initiatives addressing efficiency in the system, particularly with respect to buses in service without carrying passengers. As well, she hopes the new technology will allow for the configuration of smart cards and monthly passes. She further noted that the Dartmouth and Woodside ferry terminals should be incorporated into this plan. She asked staff if they are finished growing the fleet. She would also like to see advertising revenue grow and a greater emphasis on marketing, as well as the installment of wifi on vehicles. In addition, she asked if the new technology will be compatible with potential services in the future.

Mr. Robar responded that staff are still growing the fleet, with 9 buses being added next year. With respect to marketing, this is an important element of the project going forward. He further provided information and the rationale for technology upgrades and ensured that new technologies will be a foundation for continued service improvement.

Councillor Nicoll further asked what is meant by "other fiscal" in the line item on page 6 of the presentation and Mr. Robar responded that this line item includes largely debt payments and transfers to reserves and this fluctuates depending on capital project debts.



The Mayor asked for more information on the marketing piece, given the loss in ridership. He indicated his concern for the cuts to ferry transportation, particularly late-night ferry service. The Mayor further asked staff how much their proposals are being integrated with other considerations, such as active transportation, private organizations, such as car shares, and more broadly crafting an overall mobility plan. Finally, he asked staff where HRM sits in comparison with other cities with respect to technological advancement.

Mr. Robar indicated Metro Transit has a marketing campaign ready to launch, but wanted to get assent from the Audit and Finance Standing Committee before proceeding and are expected to begin in March. In answer to the question regarding the reinstatement of late-night ferry service, he indicated it would be \$150,000. On integration with other plans, Mr. Robar noted Metro Transit is considering all aspects of the Regional Plan and active transit is on their radar. Finally, the plan for technological transition would make HRM one of the most advanced systems in Canada.

Councillor McCluskey echoed the Mayor's comments on the reinstatement of late-night ferry service. There are many occasions when people are leaving work late or concluding an evening of entertainment in Halifax and would use the ferry to return to Dartmouth. With new development happening in downtown Dartmouth and the construction of the community college, there are many reasons to reinstate the service. She noted a number of bus routes remain operating despite low ridership. She asked what the percentage of recovery is on bus routes in HRM and on the ferry.

**MOVED by Councillor McCluskey, seconded by Councillor Nicoll that the Audit and Finance Standing Committee recommend to Regional Council that staff investigate reinstating the ferry service to the same frequency as before the last budget year.**

A procedural discussion ensued on the motion.

Marian Tyson, Acting Director, legal Services, advised that the amendment can be made with two thirds support of the members. She further noted that the purpose of a notice of motion is to give the members a chance to review items in advance.

Councillor Watts agreed with the Mayor's comments that HRM needs to consider mobility more broadly and not pursue items such as transit, roads and other concerns in isolation. She indicated her support for public consultation, but questioned the timing of the directive, given that staff are seeking direction to make these changes before the consultation has taken place. She adds staff need answers from the public about whether or not new technology will meet their reliability and efficiency needs. She noted her concern with the raising of fares at this time, as riders pay twice: once through their taxes and once through their fare. A \$.25 increase will have a significant impact on low

income riders who rely on the bus and have been long-time customers. She cannot support this process now and wants to see a set of options instead of a fare increase.

The Chair acknowledges that there is an amendment on the floor and the debate should focus on the amendment.

On the amendment, Councillor Outhit supports ferries in general. However, he notes that the decision at Council was taken because of very low ridership during those specific times. At that debate Council did consider other options, such as ways of promoting its usage at night.

Councillor Walker cannot support this motion as there have been many cuts to transit routes in all parts of the city. The ferry recovery may be 58%, but not at all times. He further indicated that the committee should not be adding amendments on specific routes or services at this time.

Councillor McCluskey further called for the cost recovery on buses and ferries and Mr. Robar advised that ferries have the highest cost recovery at 51.7%.

Councillor Walker provides examples of lost services in his area and that it is not acceptable to pick certain services and not others for reinstatement.

The Mayor agreed with Councillor Walker, but argued that the ferry service is unique economically and historically.

Councillor Outhit asked if there is something that can be done to increase ridership if the service were brought back to its previous level. Mr. Robar advised Metro Transit will be proactively advertising all its services going forward to help generate increased ridership.

A vote was taken on the amendment.

**MOTION PUT AND PASSED**, with Councillors Dalrymple and Walker dissenting.

Councillor Dalrymple indicated his support for a fare increase rather than a tax increase and he is pleased to see the extent of Metro Transit's expansion. He further notes HRM's position comparatively with respect to fares as a reasonable starting point to consider a fare increase. This is a good time for consultation. He raises the example of the Fall River Park-and-Ride and notes that it is often full. However, many people he has spoken to simply haven't been informed of transit options.

Councillor Fisher thanked the committee for allowing non-Member Councillors to attend and ask questions. He asked staff for clarification regarding the \$.25 increase and the impact it will have on the percent of revenue covered by fares, with reference to the

chart on page 12 of the presentation. Mr. Robar responded that the fare increase will generate a roughly 2% increase in revenue.

Councillor Fisher noted charts referenced by Councillor McCluskey which are not included in the presentation, which should be. He asked if staff were in contact with the Waterfront Development Corporation to promote the Dartmouth side and also what asked staff about their plans with respect to updates to the ferry terminals. Further, he asked staff why employee growth is rising more than fleet growth.

The Mayor left at 12:20 p.m.

Mr. Robar indicated this is due to buses running long hours. Regarding ferry terminals, he notes the infrastructure is out of date and staff are looking at options to facelift and provide better customer service. Staff are speaking to the Waterfront Development Corporation.

Councillor Rankin drew attention to what experts call “pinch points” in urban areas, and for Halifax this city’s pitch points are the bridges, the Armdale Rotary and Bayers Road. These congested pinch points affect everyone, including those living downtown and we are dangerously close to capacity. Adding more buses will do little to alleviate the capacity issue at these points. He asked about the amount of reinvestment from the Portlands and staff advised it was roughly \$800,000.

Councillor Rankin noted staff need to come forward with a set of standards with respect to services changes, rather than considering different routes arbitrarily. He further noted there needs to be a model for the community consultation piece. He asked staff to confirm whether or not they considered the pinch points a growing crisis.

Mr. Robar advised traffic conditions are something that impact HRM services every day and that the consultation process will include a look at standards.

**MOVED by Councillor Mosher, seconded by Councillor Walker that the Purcell’s Cove number fifteen bus be moved forward to Council for consideration for service reinstatement on evenings and weekends.**

**MOTION FAILS**, with Councillors Dalrymple, Karsten, Nicoll and Outhit voting against.

Mr. Robar advised it would cost between \$40-50,000 to restore this service.

Councillor McCluskey questioned staff on the percentage cost-recovery. Mr. Robar advised that Access-A-Bus is between 3-4%, with conventional transit at 31%. He provides details on routes with low cost recovery.

Councillor Dalrymple asked if staff will have enough direction from the committee to proceed with the plans they have put forward and Mr. Robar advised this is enough to get started.

Councillor Nicoll supports looking at the ferry as it's a major component of the whole system. The issue must be considered from an integrated perspective.

Councillor Mosher indicated the need to have a serious discussion on transit standards as considering on service and another in a piecemeal fashion does not recognize the reality that a change in one area will have consequences for many others. She asked for a Committee of the Whole debate on transit standards.

A vote was taken on the motion on the floor.

**MOTION PUT AND PASSED.**

- 10. MOTIONS – NONE
- 11. ADDED ITEMS – NONE
- 13. IN CAMERA – See above, page 6.
- 14. NEXT MEETING DATE – February 13, 2013
- 15. ADJOURNMENT

The meeting was adjourned at 12:45 p.m.

Matt Godwin  
Legislative Assistant