

**Audit and Finance Standing Committee
February 20, 2013**

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Brad Anguish, Director, Community and Recreation Services

DATE: January 21, 2013

SUBJECT: Multi-District Facility Project (Reporting Requirements)

ORIGIN

1. Motion of Regional Council at the April 28, 2011 Committee of the Whole budget deliberations requesting a staff report outlining the proposed plan for indoor facilities, community facilities, role of the Multi-District Facilities (MDF) and to identify future budget implications for Halifax Regional Municipality (HRM).
2. Staff report dated August 29, 2011 on the Multi-District & Event Facilities key issues and proposed approach to address them; and
3. November 8, 2011 Regional Council motion directing staff to undertake work on accountability, reporting and alignment associated with the MDFs.

LEGISLATIVE AUTHORITY

HRM Charter - Section 79 1(k)

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Halifax Regional Council:

1. Declare Phase 1 of the Multi District Facility Project (Accountability and Reporting) as complete, with the implementation of effective accountability and reporting processes;
2. Lift the restrictions on major capital expansions for all HRM MDF recreation facility's since the accountability and reporting processes are in place as required in the Regional Council motion of November 8, 2011;

RECOMMENDATIONS CONTINUED ON PAGE 2

3. Direct staff to undertake completion of Phase 2 (Alignment) of the Multi District Facility Project which includes community and HRM program expectations, facility mandates and facility program funding as it relates to the MDFs and expand the scope of Phase 2 to include governance;
4. As part of the Phase 2 (Alignment), adjust the schedule for the development of repayment plans for any outstanding capital or operating amounts owing from Multi-District Facilities (MDF) to no later than June 2014 for the reasons outlined in the report; and
5. Extend the requirement that no new subsidies or significant changes to existing subsidies be approved with a term of more than one year until completion of Phase 2 of the MDF Project.

BACKGROUND

At the September 21, 2011 meeting of the Audit & Finance Standing Committee, staff presented a report 'Multi-District & Event Facilities – A Case for Action' that identified the key issues facing the Multi-District & Event Facilities portfolio, with financial management being one of those areas requiring attention. Subsequently, at the November 8, 2011 meeting, Regional Council directed staff to undertake a priority project to address the issues outlined in the report.

The following facilities were included in scope of the MDF project:

Alderney Landing
Canada Games Centre
Centennial Pool
Cole Harbour Place
Dartmouth Sportsplex
Halifax Forum
Sackville Sports Stadium
St. Margaret's Centre

Three key issues were outlined in the report. These included:

Issue #1: The absence of effective accountability within HRM Multi-District Facilities.

Issue #2: The absence of adequate reporting and management processes to support informed decision-making and HRM oversight requirements related to Multi-District Facilities.

Issue #3: Lack of alignment between the community and HRM program expectations; facility mandates; and facility and program funding as it relates to Multi-District Facilities.

The approach approved by Regional Council to address these problems divides the work into two phases with Phase 1 focusing on accountability and reporting processes. Phase 2 of the MDF project included a broad review of issue #3, including community and HRM program

expectations, current recreation programming as it relates to the MDFs and Category 1 facilities, facility mandates and facility program funding.

In addition to the 2 phase project, Council also passed other related motions at the November 8, 2011 meeting. These included:

- That no capital expansions to MDF facilities (with the exception of the Dartmouth Sportsplex) be approved until accountability and reporting processes are updated;
- That no new subsidies or significant changes to existing subsidies be approved with a term of more than one year, until accountability and reporting processes are updated;
- That HRM staff be directed to complete the Indicators for the remaining Category 3 and 4 facilities to determine whether they should be included in the Phase 1 project plan; and
- That as part of Phase 2 (alignment), HRM repayment plans be developed for any outstanding capital or operating amounts owing from Multi-District Facilities (MDF) where no repayment plans exist at that time. Repayment plans should be in place by no later than November 2013, within one year of the proposed start of Phase 2.

DISCUSSION

Work has been completed on phase 1 of the MDF Project. The following outlines the initial and ongoing work to address the accountability and reporting issues outlined in the initial report.

Issue #1: Effective Accountability

- The Community and Recreation Services business unit realignment, effective April 1, 2012, has established positions with clear accountability for the HRM Multi-District Facilities. They are:
 - Manager, Regional Recreation & Culture
 - Manager, Facility Partnerships
 - Multi District Facility Coordinator
 - Senior Financial Consultant (Seconded)
- Renewed relationships have been established with both the community boards and General Managers of the facilities to ensure that accountabilities and responsibilities are communicated and understood by all parties.
- Monthly on-site visits have taken place to develop a greater understanding of localized issues and to provide focussed support to individual General Managers.
- Staff have worked with various General Managers in the areas of leasing, procurement, facility improvements, communication with other HRM departments, and resolution of centre-specific concerns.

- Regular meetings are being held with the General Managers collectively to discuss relevant topics and to develop the methodology for further training and topic discussions.

Issue #2: Reporting and Management Processes

Many of the concerns outlined in the initial report on the MDFs related to the need for improved reporting and management processes in order for HRM to develop and maintain a solid understanding of the management of the Centres. A significant portion of Phase 1 involved improved and increased reporting and management processes. The following outlines the changes implemented in these two areas:

Financial Reporting

- The annual information report on the financial performance of the MDF's for the 11/12 fiscal year has also been submitted to the Audit & Finance Committee for this meeting. The report includes expanded financial information than had been provided in past reports.
- Financial Management Reporting Requirements have been established, communicated, and discussed with the general managers and finance staff of all the Multi-District Facilities. This reporting will proactively assist HRM to support and ensure due diligence for the MDF's. The requirements include the following:

Quarterly (30 days after quarter end)

1. Quarter end results: Income Statement
2. Analysis of results and significant variances to budget and last forecast
3. Information to facilitate HRM's quarterly consolidation process
4. Annual Forecast: Income Statement (by month)
5. Analysis of forecast versus prior forecast and budget

Annual (90 days after fiscal year end)

1. Year end results: Detailed Income Statement (as currently prepared)
2. Discussion and analysis of results and significant variances to budget and last forecast
3. A report explaining any Deficits, if applicable, outlining magnitude, reasons, and recommendations to deal them in the next fiscal year

Annual Budget (by March 31st of the fiscal year end)

1. Operating and Capital (by month) for upcoming fiscal year
2. Business Plan outlining the goals and objectives for upcoming fiscal year

While some of these requirements are modifications or additions to the previous financial reporting completed by the facilities, HRM staff continues to work with each facility to assist with the transition and ensure the timelines are met.

For the remainder of the Multi-District Facility Priority Project, a financial performance report will be provided to the Audit & Finance Committee on an annual basis and include information received from each facility. Once the 2012-13 fiscal year audited financial statements are received and compiled from all facilities, the annual Financial Report for 2012-13 will be submitted to Regional Council.

Management Processes

In addition to financial reporting, other management processes are underway in order to address issues related to the MDF and also in order to obtain information for Phase 2. These include:

- Procurement requirements and procedures have been outlined to the General Managers of the Multi-District Facilities. HRM staff has reviewed all operational expenditures to help identify cost savings (such as fuel, cleaning supplies, pool chemicals, etc.);
- The operational and board governance policies of the facilities are under review. Staff, recognizing deficiencies, have already provided the MDF's with operational policies (such as Critical Management Plan, Social Media Policy and Ethics Policy);
- A detailed summary of current computer technology, programming functions and report-generating capabilities has been developed and staff are currently working to make the necessary initial improvements as well as determining a long-term strategy for the MDFs' technological needs;
- A detailed review of each facility's programming is underway, in addition to a comparison of the various program offerings in preparation for Phase 2;
- A jurisdictional review of facility governance models is currently being conducted; and
- A detailed facility condition assessment of all facilities has been completed.

Therefore, since accountability improvements have been made, financial reporting processes have been implemented and all facilities are providing required information, it is recommended that Phase 1 of the MDF Project be declared complete and restrictions on major capital expansions for MDFs be lifted.

Issue #3: Alignment

Phase 2 – MDF Project

With the completion of Phase 1 of the MDF work, staff will now focus on Phase 2 which consists of work on the alignment between community and HRM program expectations; facility mandates; and facility and program funding as it relates to Multi-District Facilities. Phase 1 work identified some key components to ensuring the success of all HRMs recreational facilities. However, through the work required for Phase 1, it has become clear that an understanding of the current governance models for these community facilities is an important component to moving the facilities forward. The history of the current governance models, understanding of the benefits and challenges of the current models and the relationship of governance to program alignment and facility mandates is critical in order to complete the work of Phase 2. Therefore, staff has recommended that an assessment of the governance models be included in the Phase 2 work of the MDF project. This work will be carried out concurrently with the assessment of the facility mandates and program alignments. However, it will need to be completed prior to the submission of repayment plans and the development of any new agreements.

HRM staff is currently reviewing the financial situations and debt obligations of the MDFs in order to determine options for addressing these. As per the November 8, 2011 Regional Council motion, repayment plans were requested to be in place no later than November 2013. To complete Phase 2, which involves a review of key components necessary to develop repayment plans, June 2014 is a more realistic timeframe to ensure sufficient time for review and analysis.

Subsidies

As part of the initiation of the MDF Project, Regional Council directed that no new subsidies be implemented or major changes be made to existing subsidies for a term of more than one year. As outlined in the Financial Performance of HRM's Regional Facilities information report, HRM currently provides annual subsidies to many of the MDF facilities. The additional work on the financial situations and debt obligations will also provide updated information and understanding of current subsidy requirements. Therefore, it is recommended that Regional Council maintain the requirement for terms of not more than one year for any new subsidies or changes to subsidies until the completion of the Phase 2 work.

Other Facilities

After reviewing the remaining category 3 and 4 facilities, no other facilities are recommended to be added to this project at this time. The Eastern Shore Recreation Commission, Halifax Metro Centre, BMO, and Centennial Area, although not specifically part of the MDF Project, are being reviewed by staff in the context of their specific administrative parameters but will eventually be included in all of the specific processes and accountabilities. The other facilities are not faced with the same challenges as those originally included in the MDF project. Eastern Shore is operating within budgetary guidelines and no specific concerns have been noted to warrant inclusion. The Metro Centre is under a separate review, BMO is administered by contractual

obligations with Nustadia Inc. and the operations of Centennial Arena are being addressed as part of the approved Long Term Arena Strategy. Therefore, staff recommends maintaining the focus of the MDF project on those facilities originally included in the project so the challenges can be addressed. Inclusion of the other facilities will then occur once the specific project work is completed.

FINANCIAL IMPLICATIONS

HRM's current operating budget includes approved subsidy amounts for facilities as outlined in the Financial Performance of HRM Regional Facilities information report. Current subsidy amounts will also be included in the proposed 2013/14 Operating Budget for consideration of Regional Council. If capital expansion restrictions are lifted, any capital projects planned for fiscal 2013-14 will be included in the proposed project budget for consideration and approval of Regional Council during the budgeting process. All other costs associated with the continued work of the review can be accommodated with existing operating budgets and resources.

COMMUNITY ENGAGEMENT

Not applicable

ENVIRONMENTAL IMPLICATIONS

None identified

ALTERNATIVES

Alternative 1: Council may choose not to lift the capital expansions freeze. This alternative is not recommended as the accountability and reporting requirements have been established. Additionally, further delay of capital expansion projects may adversely affect the ability of the facilities to offer appropriate community recreational requirements. A proposed capital expansion projects would require Regional Council approval.

Alternative 2: Council may choose not to direct staff to continue with Phase 2 of the MDF Project. This alternative is not recommended as continuation of the MDF project is critical to not only ensure the continued reporting and accountability relationships, but also to optimize Centre operations and solidify MDF programming and facility alignment with HRM recreation mandates.

Alternative 3: Council may choose to direct that the repayment plans for the facilities be put in place sooner than the proposed June 2014. This is not recommended as it would not provide sufficient time to ensure reviews of governance and financial capacity are completed.

Alternative 4: Council may choose to expand the MDF project to include the remaining Category 3 and 4 facilities at this time. This is not recommended for the reasons outlined in the report.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Danielle Paris, Senior Financial Consultant, Finance, 490-4397
Shawn West, Multi District Facility Coordinator, Facility Partnerships, 490-3956

Original Signed

Report Approved by: _____
Denise Schofield, Manager, Regional Recreation & Culture, 490-6252

Original Signed

Financial Approval by: _____
Greg Keefe, Director of Finance & Information Technology/CFO, 490-6308
