

AUDIT AND FINANCE STANDING COMMITTEE  
MINUTES

November 20, 2013

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

REGRETS: Councillor Barry Dalrymple  
Councillor Stephen Adams

GUEST COUNCILLORS: Councillor Matt Whitman

STAFF: Mr. Greg Keefe, Director of Finance and Information,  
Communications & Technology/CFO  
Mr. John Traves, Director, Legal Services  
Ms. Sherryl Murphy, Deputy Municipal Clerk  
Mr. Liam MacSween, Legislative Assistant

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**1. CALL TO ORDER**

The Chair called the meeting to order at 10:05 a.m. in Council Chambers, 1841 Argyle Street, Halifax.

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

**MOVED by Councillor McCluskey and Seconded by Walker that the minutes be approved as presented.**

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

The following item was added to the agenda:

- 11.1 Office of the Auditor General – HR Payroll System: A Performance Process Review – Follow up Information

The following item was moved up on the agenda:

**14. ELECTION OF CHAR AND VICE CHAIR**

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

**MOVED by Councillor Walker and seconded by Councillor Mosher that Councillor Karsten be nominated for the position of Chair of the Audit and Finance Standing Committee**

The Legislative Assistant called two more times for further nominations, as there were none, Councillor Karsten assumed the position of Chair of the committee.

Councillor Karsten thanked the members of the Audit and Finance Standing Committee for their support.

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

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

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

The Chair called two more times for further nominations, there were none.

Councillor Mosher respectively withdrew her nomination for the position of Vice Chair and asked the committee to endorse the nomination of Councillor Walker for the position of Vice Chair.

Councillor Walker assumed the position of Vice Chair.

**MOVED by Mayor Savage and seconded by Councillor McCluskey that 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 RECISSION - NONE**

**7. CORRESPONDENCE DELEGATION - NONE**

**8. CONSIDERATION OF DEFERRED BUSINESS - NONE**

**9. REPORTS**

**9.1 Staff**

**9.1.1 Write-off – Leased Land Accounts**

The following documentation was before the Audit and Finance Standing Committee:

- A staff report dated October 25, 2013

**MOVED by Councillor Walker and Seconded by Councillor Nicoll that the real property tax accounts in the amount of \$399,549.34 comprised of \$374,773.93 principal and \$24,775.41 interest as detailed in Schedule 1 of the October 25 staff report be formally written out of the books of account;**

Councillor McCluskey inquired as to whether the Halifax Port Authority could have collected taxes owed to HRM on behalf of Farmers Market as part of the lease agreement between the Farmers Market and the Port Authority.

Mr. Jerry Blackwood, Manager of Revenue, Finance and Information Communication and Technology stated that under the current structure the municipality will receive payment from the Halifax Port Authority via a payment in lieu of taxes grant. He commented that it is possible when considering a new lease structure that the Property Valuation Services Corporation could set up a separate assessment account whereby the tenant is taxed directly. Mr. Blackwood further noted that the current legislation assists Provincial and Federal Crown Corporations to mitigate risk with respect to Municipal property taxes by having the tenant taxed directly.

Mr. Greg Keefe, Chief Financial Officer, commented that the scenario described by Councillor McCluskey is a legislative issue which staff will bring forward in discussions with the Province.

Mayor Savage inquired as to how HRM compares to the private sector and other levels of government with respect to write-offs.

Mr. Blackwood noted that HRM's write-off statistics are below the comparable private sector benchmark of 2% of sales and that HRM is consistent with other levels of government with respect to write-offs.

The Chair asked if there are any further steps that can be taken when a business is viable to ensure that HRM can collect tax revenues that are owed.

Mr. Blackwood noted that staff is currently looking at strengthening measures around risk management and are placing identifiers on accounts that are at risk. He stated that a monthly report in this regard will come directly to his attention. He further noted that the best strategy in terms of collection is to work with at risk businesses and companies to develop repayment plans for taxes owed.

Further discussion ensued.

#### **MOTION PUT AND PASSED.**

#### **9.1.2 Second Quarter Report**

The following documentation was before the Audit and Finance Standing Committee:

- A staff report dated November 7, 2013

Councillor McCluskey requested clarification regarding savings from vacancies in Planning and Infrastructure.

Mr. Greg Keefe, Chief Financial Officer noted that HRM has found savings with respect to vacancies. He noted that many organizations of comparable size to HRM see an average of 2 to 4% savings on payroll in the normal course of business due to employee vacancies and that as positions become vacant a review is conducted to see whether or not the position is still needed. He noted that these projections are built in to the budget.

Councillor McCluskey further inquired as to the outstanding amount of revenue with respect to commercial tax appeals.

Mr. Jerry Blackwood, Manager of Revenue, Finance and Information Communication and Technology noted that staff is projecting a surplus with respect to commercial tax revenue as a result of appeals and that budgeted losses are lower this year than in the previous fiscal year.

Councillor McCluskey requested an update on the payment in lieu of taxes case with the Federal government regarding Citadel Hill.

The Solicitor noted that the case is still under appeal.

The Mayor commented on the impact of the \$2.7 million deficit regarding increased costs for stormwater services as a result of a recent Utility and Review Board decision.

Mr. Greg Keefe, Chief Financial Officer, noted that a report on this subject will be brought forward to Regional Council in December outlining options as to how this matter can be dealt with that and to get direction from Council as to how to proceed.

Councillor Walker requested clarification from staff as to whether the projected surplus will be in the \$6 Million range.

Mr. Keefe replied that the surplus is currently sitting at \$6 million. He further commented that the municipality had several financial challenges such as the \$2.7 million stormwater servicing decision as well as a \$1 million reduction in funding from the Resource Recovery Funding Board (RRFB).

Councillor Outhit commented that the projected surplus is good news and inquired as to how this will be communicated to the public. He stated that a staff presentation at Regional Council would be helpful and a press release with respect to the surplus should be issued.

Councillor Mosher echoed Councillor Outhit's comments with respect to a presentation at Regional Council. She noted that there are many opportunities for public engagement through the budget consultation process citing the "open mike" sessions during the Committee of the Whole sessions and the budget presentation at Community Council meetings. Councillor Mosher requested further clarification on the reduction of funding from the RRFB and whether or not there is an opportunity to have this re-examined with the new Provincial Government.

Mr. Mike Lebreque, Deputy Chief Administrative Officer, commented that staff will continue discussions with the provincial officials in relation to this item and that an update will be provided during the Committee of the Whole budget session for Transportation and Public Works scheduled for mid-January.

**MOVED by Councillor Mosher and Seconded by Councillor Nicoll that the Audit and Finance Standing Committee forward the November 7, 2013 staff report to Halifax Regional Council as an information item. MOTION PUT AND PASSED.**

The following amendment was put on the floor:

**MOVED by Councillor Mosher and seconded by Councillor Outhit that staff prepare a presentation to accompany the information report at Regional Council.**

Councillor Nicoll requested clarification on measures addressing vacancy management with respect to Community and Recreation Services.

Mr. Labrecque that Community and Recreation Services have a succession planning process in place to ensure that the right people are in the right jobs going forward.

**MOTION PUT AND PASSED.**

**9.1.3 HRM Rebranding Project Award**

The following documentation was before the Audit and Finance Standing Committee:

- A staff report dated November 14, 2013
- Request for Proposal - #P13-083 - HRM Rebranding Project dated July 2013.
- Private and Confidential Information Report dated, November 14, 2013.

**MOVED by Councillor Mosher and Seconded by Councillor that the Audit and Finance Standing Committee:**

- 1.) Forward a recommendation to Regional Council to award RFP# P13-083, HRM rebranding project to the successful proponent identified in the Private and Confidential Information Report dated November 14, 2013 for the costs indicated in the report's Financial Implications section and to request Council to direct that uncommitted surplus from 2012/13 fund the 2013/14 cost of the rebranding project.**
- 2.) The private and confidential Information report dated November 14, 2013 be released following the award.**

Councillor Mosher stated that she is pleased that this project is going forward and is very innovative. She stated that it is her view that that the Mayor and Council are best to represent the rebranding initiative and that it should be placed on the Agenda for the next Regional Council meeting.

The chair inquired if it is possible to have this item available for the next meeting of Regional Council.

The Legislative Assistant replied in the affirmative.

Councillor McCluskey expressed concern that the General public was not listed as a stakeholder in the report.

Mr. Bruce DeBaie, Managing Director, Corporate Communications, noted that a broad general engagement process will begin immediately if the recommendation is approved. He commented that instead of hosting an event in which the public will be asked to attend, the successful proponent's approach will be to go directly to the public in areas such as shopping malls and community events to obtain public input. In addition to this,

Mr. Debaie further remarked that there will be a comprehensive online consultation program in which the public will be asked to provide input.

Councillor Outhit noted that funding for this project is to be taken out the 2012/2013 surplus and inquired asked for the remaining balance of the surplus.

Mr. Greg Keefe, Chief Financial Officer, responded that the project will be funded out of the surplus and that the residual remains at \$ 6 million.

The Mayor expressed his support for the project. He commented that he sees the potential of the rebranding project to be a big driver of economic development in HRM and suggested that Universities, Immigration Settlement and Integration Services (ISIS), the Military Community and the United Way be included as stakeholders.

Councillor Nicoll echoed the Mayor's support for the project with respect to the inclusion of community stakeholder groups and noted that Capital Health should also be considered as a stakeholder.

**MOTION PUT AND PASSED.**

The Mayor left the meeting at 10:52 a.m.

**9.2 Members of the Standing Committee - NONE**

**9.3 Office of the Auditor General- NONE**

**9.4 Grants Committee**

**9.4.1 Proposed Default Prevention and Management Practice**

The following documentation was before the Audit and Finance Standing Committee:

- A staff report dated November 13, 2013

**MOVED by Councillor McCluskey and seconded by Councillor Outhit that the default prevention and management practice for programs administered under the Grants Committee Terms of Reference be updated to include the following**

- 1) All applicants to programs administered under the auspices of the HRM Grant Committee shall be screened for to the Municipality**
- 2) Any extension granted to an award recipient should be limited to one (1) year.**
- 3) All recipients of cash grant, tax exemption, community property sale, or lease shall be notified in writing of their obligations and the applicable sanctions for non compliance.**

**MOTION PUT AND PASSED.**

**9.5 Investment Policy Advisory Committee - NONE**

**10. MOTIONS - NONE**

**11. ADDED ITEMS**

**11.1 Office of the Auditor General – HR Payroll System: A Performance Process Review – Follow up Information**

The following documentation was before the Audit and Finance Standing Committee:

- A report entitled “Follow up to HRM Payroll System – A performance (Process) Review

Mr. Larry Munroe, Auditor General gave a presentation on the report.

Mr. Munroe provided background information with respect to the HR Payroll system and noted operational and budgetary savings \$1 million which can be found by enhancing HRM’s current payroll system. He noted that HRM is several versions behind in SAP and that further efficiencies can be found by upgrading to newer a newer version. He further commented that forgoing enhancements to the payroll system will result in further budgetary and efficiency costs.

Councillor Outhit noted that the savings as outlined in the Auditor General’s report can make a significant difference and that HRM staff should actively continue to look for further efficiencies.

The Chair requested a response from senior staff with respect to the Auditor General’s report.

Mr. Greg Keefe, Chief Financial Officer, remarked that he had met with the Auditor General with regard to the report and he is quite comfortable with the findings. He noted that operational efficiencies with respect to enhancements to the payroll system are achievable but can be challenging to measure. He noted that Finance is currently upgrading the version of SAP and are working closely with the province on the migration of SAP services. He further noted that staff is currently identifying opportunities in gaining more functionality out of the existing SAP services that is currently used.

The Chair thanked the Auditor General for his presentation.

**12. NOTICE OF MOTION – NONE**

**13. IN CAMERA**

**13.1 Personnel Matter**

**13.1.1 Citizen Appointments to Grants Committee and Special Events Advisory Committee – Private and Confidential Report**

The committee moved to In Camera to discuss a personnel matter.

The public portion of the agenda resumed at 11:35 a.m.

**14. ELECTION OF CHAR AND VICE CHAIR**

Please see pages 3 & 4.

**15. NEXT MEETING DATE – December 20, 2013**

**15. ADJOURNMENT**

The meeting was adjourned at 11:36 a.m.

Liam MacSween  
Legislative Assistant