

AUDIT AND FINANCE STANDING COMMITTEE
MINUTES

December 20, 2013

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

STAFF: Mr. Greg Keefe, Director of Finance and Information,
Communications & Technology/CFO
Mr. John Traves, Director, Legal Services
Mr. Larry Munroe, Auditor General
Mr. Liam MacSween, Legislative Assistant

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1. CALL TO ORDER

The Chair called the meeting to order at 10:03 a.m. in Council Chambers, 1841 Argyle Street, City Hall, Halifax.

2. APPROVAL OF MINUTES – November 20, 2013

MOVED by Councillor McCluskey and Seconded by Councillor Walker that the Minutes of November 20, 2013 be approved as presented.

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

There were no additions to the agenda.

The Chair commented that **Item No. 9.3 – Auditor General – Review of Expenses: Mayor, Councillors and Senior Management of 2012-2013** will be moved to the end of the agenda.

MOVED by Mayor Savage and seconded by Councillor Mosher that the agenda be approved as amended. MOTION PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

4.1 Business Arising – 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 Framework for Area Rates – Stormwater Right-of-Way Costs

The following documentation was before the Committee:

- A staff report dated December 11, 2013.

MOVED by Councillor Walker and seconded by Councillor McCluskey that the Audit and Finance Standing Committee forward a recommendation to Halifax Regional Council to:

- 1. Levy a new Stormwater Charge for Right of Way costs of \$39 per Property on those properties that pay the Halifax Water Stormwater Charge, and,**
- 2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.**

Councillor Walker asked if this is the best way to go about a stormwater charge.

Mr. Greg Keefe, Chief Financial Officer stated that this was a very tough call. He noted that it was the opinion of staff from HRM and Halifax Water to go with a fee. He stated that it puts all water related charges on one bill. He said that the item is time sensitive given that Halifax water needs a decision by early January to make the appropriate system changes to collect the charge.

Councillor Walker further inquired as to how often the levy will be collected. Mr. Keefe noted that it will be collected quarterly.

Asking a follow up question, Councillor Walker inquired about the possibility of the levy being collected as part of the Urban Tax Rate.

Mr. Bruce Fisher, Manager of Policy and Planning commented that HRM would have to create new serviceable boundaries to include the levy in both the urban and suburban tax rate.

Councillors Outhit and Nicoll entered the meeting at 10:08 a.m.

Councillor Walker further inquired if the decision on the levy could be appealed to the Utility and Review Board (UARB) for further review.

Mr. Keefe stated that the Solicitor may have further insight in this regard. He commented that he views this as part of the ongoing work with Halifax Water as a result of the transition in 2007 to address the ongoing costs of infrastructure improvements.

Mr. John Traves, Solicitor commented that Legal Services will look in to the option of appealing the UARB decision. He noted that it is likely that the appeal period has come to an end but staff will investigate that matter.

Councillor Walker asked if the appeal period has past, could HRM not put a proposal together to reapply to the UARB.

Mr. Traves stated that it is not clear whether or not HRM is a party to the agreement between Halifax Water and the UARB, given that the UARB is the regulatory body

which oversees Halifax Water not HRM. He noted that Legal Services will investigate the matter.

Mayor Savage noted that the levy is a by-product of Halifax Water filing with the UARB for a rate increase. He noted that HRM is going to be impacted by this decision and that the infrastructure costs need to be paid. He stated that the fee will be \$39 per property per year paid quarterly, which will equate to approximately \$10 per bill.

Mr. Keefe replied in the affirmative.

Mayor Savage stated that he will support the motion that is on the floor and commented that a significant discussion will have to take place at Regional Council with respect to the billing mechanism that will need to be put in place and how the fee will be collected. He stated that this is a difficult situation and a significant hit to the municipality.

Councillor McCluskey commented about the appeal period being over and that matters such as this, should come to the Committee in a more timely fashion. She inquired as to why the alternative options were recommended.

Mr. Keefe noted that staff struggled with this decision as to which option to recommend to the Committee. He stated that an area rate, a general rate or a fee would work effectively and all three align under the area rate framework that Council approved recently. He remarked that they recommended the fee to keep it all on one bill.

Councillor Dalrymple commented that HRM and Halifax Water need to come up with more consistent maps with respect to water serviceable boundaries.

Councillor Nicoll stated that she would like to see more information on the service that is being provided by Halifax Water to necessitate the fee. She noted that some residents get maintenance on storm drains and some do not.

The Chair suggested that an excerpt of the UARB ruling should be provided when the item is forwarded to Regional Council. He stated that it may provide some clarity on the matter.

Councillor Nicoll inquired as to whether or not the UARB decision is tied to CCME regulations.

Mr. Keefe noted that the underlying costs are likely tied to the Canadian Council of Ministers of the Environment (CCME) regulations.

Councillor Outhit remarked that HRM has been handed \$3.5 million charge from the UARB which needs to be addressed. He further commented that Halifax Water pays HRM a \$ 3 million per year dividend, which is being spent on other matters such as flooding. He stated if after the current funding commitments have been met with respect

to the dividend, the funds could be reallocated to credit the shortfall and eventually eliminate the proposed levy.

Mr. Keefe commented that the dividend is currently being used for other commitments but the option to reallocate the funds in future budget years to credit stormwater infrastructure costs could be an option.

Councillor Outhit stated that this should be discussed at Regional Council and that the committee should not rubber stamp anything without discussing other options.

Further discussion ensued.

MOTION PUT AND PASSED.

9.1.2 Proposed 2014 Meeting Schedule

MOVED by Councillor Adams and seconded by Councillor Nicoll to adopt the Proposed 2014 Meeting Schedule.

Councillor Adams stated that given that Regional Council is not meeting in August, he requested that the committee consider removing the proposed August 20, 2014 meeting date citing concerns that quorum will not be easily achieved at that time.

MOTION PUT AND PASSED.

9.2 Committee Members - NONE

9.3 Office of the Auditor General

9.3.1 Review of Expenses: Mayor, Councillors and Senior Management of 2012-2013

Please see pages 7 to 11.

9.4 Grants Committee

9.4.1 Canadian Naval Memorial Trust – Funding Request: Battle of the Atlantic Place

The following documentation was before the Committee:

- A Grants Committee report dated December 9, 2013.

MOVED by Councillor Walker and seconded by Mayor Savage that the Audit & Finance Standing Committee recommend to Halifax Regional Council to:

1. Approve a grant in the amount of \$25,000 to the Canadian Memorial Trust from the Community Grants Program account as per the terms and conditions set out in the Discussion section of the November 25, 2013 staff report; and

2. Encourage the Canadian Naval Memorial Trust to apply for the remaining \$25,000 grant through the 2014-15 Community Grants Program.

Councillor Walker noted that the Grants Committee does not have the capacity to go beyond the \$25,000 per year limit with respect to Grant funding. He stated that it would have been nice to give the \$50,000 grant in one grant but it is not within the rules.

Councillor Outhit stated that the Grants Committee made the correct decision to remain within the parameters of the Community Grants program. He noted that this request keeps coming back before council again and again. He stated that he will support the motion but would like to bring the issue back to Regional Council to determine other funding options so that the Canadian Memorial Trust can be provided the remaining \$25,000.

Further discussion ensued with Committee members expressing that they would like staff to bring forward alternate funding options at Regional Council.

MOTION PUT AND PASSED.

9.4.2 Business Improvement District Fund – Proposed Policy Amendments

The following documentation was before the Committee:

- A Grants Committee Report dated December 10, 2013.

MOVED by Councillor Walker and seconded by Councillor Nicoll that the Audit and Finance Standing Committee recommend Regional Council's adoption of amendments to Section 16 of the BID Contributions Fund Policy respecting application and report deadlines as detailed in the Discussion section of the November 25, 2013 staff report with implementation to commence in the 2014-15 fiscal year.

MOTION PUT AND PASSED.

9.5 Investment Policy Advisory Committee - NONE

10. MOTIONS – NONE

11. ADDED ITEMS

12. NOTICES OF MOTION

13. IN CAMERA

13.1 Approval of In Camera Minutes – November 20, 2013

The following motion was passed in open session:

MOVED by Councillor McCluskey and seconded by Councillor Nicoll that the In Camera minutes of November 20, 2013 be approved as presented. MOTION PUT AND PASSED.

14. DATE OF NEXT MEETING – January 17, 2014.

9.3.1 Review of Expenses: Mayor, Councillors and Senior Management of 2012-2013

The following documentation was before the Committee:

- Auditor General Report dated December 2013
- A presentation dated December 20, 2013

The Chair invited Mr. Larry Munroe, Auditor General to give a presentation regarding the Review of Expenses: Mayor, Councillors, and Senior Management of 2012-13.

Mr. Larry Munroe began by stating that Councillors and Senior Management expenses are in the good books and that overall, the expense policy review is a good news story. He noted one theme that Committee members should keep in mind during the presentation is that of Compliance. He further commented that the main focus of the review was to verify adherence to the Employee Expense Reimbursement Policy, Purchasing Card Policy or the applicable policy in place at the time of purchasing.

Mr. Munroe remarked that the review included both former and current Mayors, Councillors and senior managers who had incurred expenses between April 1, 2012 and March 31, 2013. He stated that it also included all purchasing card transactions made by assistants to any of the Mayors, Councillors and senior managers who hold or held purchasing cards and made purchases during the period noted above.

Mr. Munroe noted that senior managers of the largest HRM organizations overseen by agencies, boards and commissions (ABCs) were also included in the review which included Halifax Regional Police, Police Chief, Halifax Public Libraries (HPL) , CEO and Halifax Regional Water Commission (HRWC) , General Manager.

Mr. Munroe gave an overview of the history of Expense Reimbursement policies in HRM and looked for consistency. He noted that the current policy has been in place since 2007 and a review of the reimbursement rates shows consistency among the organization with the exception of Halifax Water which has their own policy. He commented that Halifax Water reimbursement rates are higher than that of HRM.

Mr. Munroe recommended a review of expense reimbursement forms and stated that they should be tidied up to include more clarity with respect to the “miscellaneous expenses” section. He further commented that the local travel grid to determine mileage should also be updated as well as a review of the use of HST input credits in cases where cheque requests are used.

In terms of Supervisory approvals for expense claims, he noted the system of one-ups approving expenditures. The review examined the idea of there being a supervisory approval to approve Mayor and Councillors out of town travel. He referenced good controls in the Councillor Support Office and that given the administrative framework; it is difficult to have controls in place to provide supervisory approval for elected officials.

Mr. Munroe suggested that that in the case of the Mayor, the Chair of the Audit and Finance Standing Committee could approve out of province travel claims and Councillors claims could be approved by a Committee.

With respect to instances of non-compliance, Mr. Munroe commented that the number very small given the size of the organization. He noted a meal for staff recognition, held by Halifax Water that included alcohol which is outside of the policy in place. He noted that the Office of the Auditor General has discussed this with Halifax Water management and is moving forward with them.

Mr. Munroe noted several instances where alcohol was charged to a procurement card in error as well meals. He noticed some instances in the regular monthly reporting where receipts were missing. With respect to out of province travel, he suggested that itineraries be included on the pre-approval form.

Mr. Munroe referenced an instance whereby the former CEO of Halifax Public Libraries travelled to Helsinki, Finland for a conference. He noted that some of the expenses were covered by Halifax Public Libraries. He stated that the airfare from Toronto to Helsinki (return) was covered by the CEO personally and the conference registration fees were waived because the CEO was a presenter at the conference. All other costs were covered by Halifax Public Libraries including hotel charges of over \$300 per night for. The CEO also travelled to Barcelona, Spain for another conference in the same year. He commented that it questions how the amount of the expenses to be paid by taxpayers is determined in situations like this. He further added that a clear policy needs to be established so that a business case is provided to justify the need of attending two international conferences per year.

Mr. Munroe noted that there needs to be some consistency with respect to what Councillors are claiming for travel to and from residences for work. He stated that consistency in this regard needs to be incorporated into the policy and that allowable expenses need to be revisited and reviewed for clarity.

Mr. Munroe concluded his presentation at 11:06 a.m. The Chair thanked Mr. Munroe for his report and presentation.

Mayor Savage thanked Mr. Munroe for his presentation. He stated that overall, the report was good and that there are significant reassurance to HRM residents that funds are not being misspent. He noted that there are many other cases where politicians reviewing expenses is not a good approach. He stated that he appreciated the work that has been done and will review recommendations.

Councillor McCluskey also thanked the Audit General for his report and presentation. She noted that there are parts of the report that trouble her such as public money being spent on alcohol and unnecessary trips but overall she stated that HRM staff and elected officials are good at sticking to the guidelines.

Mr. Munroe stated that he was pleased by the responses from within organizations and the willingness to work with his office. He stated that he will be following up with Business Units to assist in maintaining compliance and to continue the discussion on expense policy.

Councillor Outhit noted that there are safeguards in place to ensure that Councillors cannot charge whatever they want in terms of expenses. He noted that there is a common misconception among the public that this is the case.

Mr. Munroe stated that there are safeguards in place and that HRM staff do a great job of monitoring expenditures and maintaining compliance. He noted that the Councillor Support Office should be commended for their hard work in this regard. He stated that the role of the Auditor General is to continue the discussion of compliance and improving reporting.

Mr. Greg Keefe, Chief Financial Officer, stated that there are two different types of approvals. Approving the actual expenses and approving whether or not a member of Council should take a trip.

Councillor Mosher stated that Members of Council are not like the other levels of Government. She stated that the Mayor and Council are treated like an employees with respect to expenses and that the same rules apply for Council for mileage, travel, and equipment, than that of HRM employees. She stated that Councillors and the Mayor do not have a great deal of expenses aside from the odd trip to attend a conference and more opportunities for abuse at other levels of Government who have separate policies for elected officials.

Several Councillor expressed concerns with having elected official approve the expenses of other elected officials.

Councillor Nicoll referenced internal controls for expense reporting and asked what is easier in terms of efficiency, claiming and reimbursement or providing an allowance.

Mr. Munroe noted that allowances have been used at one point in time in HRM for members of Council. He noted that due to the geographic size of HRM, the use of allowances became inconsistent. He stated that there was a recognition that some Councillors had to travel more because of geographic reasons for municipal work.

Councillor Dalrymple stated that there is nothing in the report that is surprising and that he would not have expected to find anything shocking. He referenced many requests for the full disclosure of expense documents from media and noted a very small percentage of errors or mistakes which is normal with any large organization. He stated that he looks upon this as a complete certification of financial scrutiny of the Councillor Support staff on the 4th floor and other units within HRM.

The Chair recognized Ms. Cathy Barrington, Manager, Councillor Support Office, Ms. Lucile Wash, Senior Council Constituency Coordinator, as well as the rest of the Councillor Support staff for being very professional and not allowing expenses claims to go un-questioned.

Councillor Dalrymple stated that he would like to see a written orientation package for new and current Councillors that detail new expense guidelines.

Further discussion ensued.

The Chair thanked staff for all of the work that they have undertaken with respect to the Audit and Finance Standing Committee over the past year.

15. ADJOURNMENT

The meeting adjourned at 11:35 a.m.

Liam MacSween
Legislative Assistant