

AUDIT AND FINANCE STANDING COMMITTEE
MINUTES

March 5, 2014

PRESENT: Councillor Walker, Vice Chair
Mayor Mike Savage
Councillor Barry Dalrymple
Councillor Lorelei Nicoll
Councillor Gloria McCluskey
Councillor Stephen Adams

REGRETS: Councillor Bill Karsten, Chair
Councillor Linda Mosher
Councillor Tim Outhit

GUEST: Councillor Waye Mason

STAFF: Mr. Greg Keefe, Chief Financial Officer
Mr. John Traves, Municipal Solicitor
Mr. Liam MacSween, Legislative Assistant

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1. CALL TO ORDER

The Chair called the meeting to order at 9:12 a.m. in Council Chambers, 3rd Floor, 1841 Argyle Street, Halifax.

2. APPROVAL OF MINUTES – December 20, 2013 & January 17, 2014

MOVED by Mayor Savage, seconded by Councillor Nicoll that the minutes be approved as presented. MOTION PUT AND PASSED.

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

The following agenda items were moved during the approval of the Order of Business:

Item No. 9.1.7 - Audit of the Consolidated Financial Statements of HRM ahead of item No. 9.1.1 to accommodate presenters from KPMG.

Item No. 9.3.1 - Halifax Regional Municipality – A Performance Review of the Administration of Training Expenditures to follow Item No. 9.1.7 to accommodate a presentation from the Auditor General.

Item No. 9.1.4 – Discovery Centre Discovery Centre Funding Request – Capital & Operating Contributions be moved to the last item on the agenda.

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

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

5. BUSINESS ARISING OUT OF THE MINUTES – NONE

6. MOTIONS OF RECONSIDERATION – NONE

7. MOTIONS OF RESCISSION – NONE

8. CONSIDERATION OF DEFERRED BUSINESS – NONE

9. CORRESPONDENCE, DELEGATIONS – NONE

9. REPORTS

9.1 Staff

9.1.1 Award – Tender 13-414 – Ragged Lake Transit Centre Storage Garage Floor Texturing

This item was dealt with later on the agenda please see page 7-8.

9.1.7 Audit of the Consolidated Financial Statements of HRM

The following documentation was before the committee:

- A staff report dated February 5, 2014.

A representative from KPMG gave a presentation of the Consolidated Financial Statements of HRM. He commented that there have been no significant changes within the organization or the financial environment in which it operates. He provided background information on recent regulatory developments by Canada Revenue Agency and noted increased activity in the financial sector.

The KPMG representative provided an overview of the timeline of the audit proposal and noted that there have been no changes with respect to the methodology or approach to the project. He commented that KPMG will examine areas such as accounting practices, risk management, controls and reporting with respect to HRM's financial operations. He further commented that KPMG will recommend improvements if they are recognized throughout the course of the Audit.

The KPMG representative provided further information regarding the key deliverables of the audit and noted that an audit opinion will be presented to the Committee in June of 2014.

Councillor McCluskey entered the meeting at 9:22 a.m.

Mr. Greg Keefe, Chief Financial Officer stated that an audit is conducted by an outside organization so that any person reading the numbers in HRM financial statement can be confident in knowing that what is presented is correct.

MOVED by Councillor Nicoll, seconded by Councillor Dalrymple that the Audit and Finance Standing Committee approve the attached planning report for the Audit of HRM's consolidated financial statements as prepared by KPMG.

MOTION PUT AND PASSED.

9.3 Office of the Auditor General

9.3.1 Halifax Regional Municipality – A Performance Review of the Administration of Training Expenditures

The following documentation was before the Committee:

- A report dated February, 2014

- A presentation dated February 21, 2014

Mr. Larry Munroe, Auditor General provided a presentation regarding the Performance Review of the Administration of Training Expenditures. He commented that he was very pleased with the cooperation from HRM staff with respect to compiling the data for the report.

With respect to the Methodology used the Office of the Auditor General (OAG) met with the Director of Human Resources as well as the individual Business Unit directors to establish training and performance measures which are in place. He commented that the OAG reviewed corporate training procedures and examined training processes.

Councillor Mason entered the meeting at 9:37 a.m.

Mr. Munroe noted that based on the information reviewed, the OAG has concerns regarding HRM's ability to assess training programs to ensure economic, efficient, and effective administration of these programs. He commented that at the time of this review, HRM had no clear training strategy.

Mr. Munroe commented that the OAG found that the Human Resource Department (HR) is responsible for general overall training applicable to all employees. He noted that Business Units also provide training, some of which is specific to their needs. He noted that HR also provided programs not delivered at the corporate level, but which had overall corporate applications.

Mr. Munroe commented that while it appears to be clear-cut, the ad hoc HRM framework has led to areas of inconsistencies, possible duplication of training efforts and a situation where HRM does not know its annual investment in or organizational benefits from training organization-wide. He noted that as a result, there does not appear to be any corporate focus for training.

Mr. Munroe stated that training offered by HR is intended to address employee's core competencies. However, there is no documentation linking the core competencies to these training programs. The training programs provided are purported to be the result of needs identified either through the performance development process (PDP) or through a corporate needs assessment however, there is no documented linkage to either.

Mr. Munroe commented that it is not to say employees and HRM did not benefit from the programs being offered but rather there was no documentation supporting a process for identifying training to be provided.

Mr. Munroe commented that in some instances evaluations of training programs were not formally documented, so there is no way for HRM Administration to demonstrate whether HRM is providing training in the most efficient and economical manner (i.e. internal vs. external or corporate vs. business unit).

Mr. Munroe noted that on a course-by-course basis, the outcomes of the training are not being appropriately evaluated to determine if the program is effective and achieving the anticipated outcomes.

Mr. Munroe commented that HRM offers a Tuition Reimbursement Program which is not being consistently applied. Employees in different business units have access to various levels of funding for degrees or certificate and that the objective of this program is not clear. He noted that a significant amount of the funds budgeted for training was not spent during the period of the review.

Mr. Munroe concluded his presentation by reviewing several of the key recommendations as alluded to in his report. The Chair thanked the Auditor General and asked for questions from members of the Committee.

Councillor Adams stated that providing proper training programs is extremely important to ensure that HRM employees can stay up today. He noted concerns that HRM is training for the sake of training and that people are receiving training that is not consistent with their role in the organization.

Mr. Munro commented that in some instances training is inconsistent with the level of the role that a person is in. He noted that senior management must be certain that staff are being trained to the correct level.

Councillor Dalrymple requested further clarification as to whether a manager can pull up an individual's complete training history. Mr. Munroe commented that it is not that easy as training files are paper based and in some cases are incomplete. He commented that a move to an electronic system would be beneficial.

Councillor Dalrymple commented that he had spent 33 years with RCMP and went through many different departments. He stated that he had the ability to see employee training files and could match the contents of which with what Officers needed or were short in in terms of training. He commented that he is surprised but not shocked about the access to training filed. He noted that he has faith in HR department and is always mindful that HRM is only 16 years old. He noted that many of the issues with respect to training can be rectified and thanked the Auditor General for pointing this out.

Mr. Munroe commented that this is in no way a reflection on the Human Resources group. He noted that the report is an attempt to cause the discussion on training efficiencies to happen so that something can be done about it. He noted that Halifax Regional Police has a good model of tracking training files.

Councillor Dalrymple noted that he is on the Board of Police Commissioners and that the Board receives a training report from Halifax Regional Police on a monthly basis. He commented that he would not suggesting that for all departments in HRM but it would be reassuring to see some type of reporting in that regard..

Councillor McCluskey commented that she recognizes the value of Auditor General's report and the value that it has for the Chief Administrative Officer. She noted that there is quite a bit of work to be done in the area of training. She further commented that she often hears that sometimes staff members are aware of training opportunities afforded to them and that increased communication is likely needed.

Mayor Savage thanked the Auditor General for his report. He commented that staff needs to be more aware of the training for HRM outside of the silo. He commented that as staff prepares for succession planning it is vital to ensure that training will reflect future needs. He noted questions rose regarding data and how it is managed which is consistent with previous reports from the OAG. He commented that he believes that HRM has made great improvements in that area.

Mr. Munroe commented that he agrees with the Mayor's assessment with respect to managing data. He further commented that identifying individuals and looking at succession is very important.

Councillor Nicoll commented that training is incredibly important for an organization. She noted that it is difficult for management to assess personal and professional growth with a deficiency in training programs. She commented that she is confident that things will get better and wanted to clarify that staff will be looking for efficiencies in this regard.

Mr. Munroe noted that staff has engaged a consultant to work with Human Resources to assess and revalue processes. He noted that the funds have been allocated and the review is underway. He noted that this process has moved along very nicely to ensure greatest value for HRM's workforce.

Councillor Nicoll further commented that Budget training is going to vary between Business Units and some will Business Units require more training programs than others.

The Auditor General stated that he would like to recognize Andrea Barnes Young and Madelaine Trider from his office for their work on the report. He also introduced Ms. Lucinda Lee, Analyst/Researcher, to the Committee and welcomed her to HRM.

9.1.1 Award – Tender 13-414 – Ragged Lake Transit Centre Storage Garage Floor Texturing

The following documentation was before the committee:

- A staff report dated January 10, 2014

**MOVED by Councillor McCluskey and seconded by Councillor Nicoll that the
Audit and Finance Standing Committee:**

- I. Recommend to Regional Council a one-time project scope alteration to CMXO 1229 to fund the specified flooring work of Tender 13-414.**
- 2. Recommend to Regional Council to award Tender No. 13-414, Ragged Lake Transit Centre Storage Garage Floor Texturing, to the lowest bidder meeting specifications, Eastern Infrastructure Inc., for a Total Tender Price of \$76,963.07 (net HST included), with funding from Project No. CMXO 1229 - Ragged Lake Transit Centre FFE, as outlined in the Financial Implications section of the January 10, 2014 staff report.**
- 3. Recommend to Regional Council to increase P.O. #2070642590 for \$6,465.73 (net HST included) to Stantec Consulting Limited for Construction Contract Administration and Inspection Services, with funding from Project No. CMXO 1229 - Ragged Lake Transit Centre FFE, as outlined in the Financial Implications section of the January 10, 2014 staff report.**

MOTION PUT AND PASSED.

9.1.2 Write-off of uncollectable accounts

The following documentation was before the Committee:

- A staff report dated February 5, 2014

MOVED by Councillor Nicoll, seconded by Councillor McCluskey that the Audit and Finance Standing Committee recommend to Halifax Regional Council that:

- 1. The business occupancy tax accounts in the amount of \$44,374.87 comprised of \$29,574.95 principal and \$14,799.92 interest as detailed in Schedule 2 be formally written out of the books of account;**
- 2. The general revenue accounts in the amount of \$7,403.82 comprised of \$7,403.82 principal and \$0.00 interest as detailed in Schedule 3 be formally written out of the books of account;**
- 3. The real property tax accounts in the amount of \$1,161.15 comprised of \$1,053.69 principal and \$107.46 interest as detailed in Schedule 4 be formally written out of the books of account;**

Councillor McCluskey inquired as to the status of the Business Occupancy billings.

Mr. Jerry Blackwood, Manager of Revenue, noted that there is \$10,000.00 left in receivables with respect to business occupancy billings in which HRM can still collect

MOTION PUT AND PASSED.

9.1.3 E-Delivery Investment

The following documentation was before the Committee:

- A staff report dated January 21, 2014

MOVED by Mayor Savage, seconded by Councillor Nicoll that the Audit and Finance Standing Committee forward a recommendation to Halifax Regional Council to:

- 1. Approve the payment of the E-Delivery project investment costs of \$405,828 for HRM to Property Valuation Services Corporation (PVSC), to replenish the Technology Advancement Fund. And;**
- 2. Direct staff to approach Halifax Water to cost-share the E-Delivery investment.**

Mr. Greg Keefe, Chief Financial Officer provided background information with respect to the E-Delivery project and the cost recovery model. He commented that moving to this program would be in the best interest of the Municipality as it will reduce costs related to paper billing. He commented that the program will initially cost \$750,000 and that it is projected that the program will break-even at the five year mark, with further savings being realized in the following years.

Mayor Savage inquired if Halifax Water has been approached to cost share in the program. Mr. Keefe replied in the affirmative.

Councillor Walker commented that the cost of postage and stationary is very high and that most people receive bills electronically. He noted his support for the program.

Councillor McCluskey inquired about those that do not have access to the internet or a computer and whether or not they will be able to access this program.

Mr. Keefe noted that people would have to enroll in the program to receive bills electronically. He stated that those that do not wish to enroll will continue to receive paper bills.

MOTION PUT AND PASSED.

9.1.4 Discovery Centre Funding Request – Capital & Operating Contributions

This item was dealt with later in the meeting. Please see page 12-14.

9.1.5 Fiscal Year 2012/13 Financial Report - Sackville Sports Stadium

The following documentation was before the Committee:

- A staff report dated February 5, 2014

MOVED by Councillor Nicoll, seconded by Councillor Adams that the Audit and Finance Standing Committee recommend that Halifax Regional Council approve the financial statements of the Sackville Sports Stadium dated March 31, 2013.

Mr. Greg Keefe, Chief Financial Officer, commented that the Audit is a wind-up with respect to the Sackville Sports Stadium which was previously managed by a board separate from HRM. He commented that for the sake of completeness, Finance staff conducted an audit to close the books on the previous management.

Councillor McCluskey inquired as to when HRM took over operation of the Sackville Sports Stadium.

Ms. Denise Schofield commented that full integration into HRM occurred in the previous year. She commented that HRM now operates the facility and an acting General Manager and internal processes have been put in place until the Multi District Facility policy comes through.

MOTION PUT AND PASSED.

9.1.6 Third Quarter 2013/2014 Financial Report

The following documentation was before the Committee:

- A staff report dated January 24, 2014

Mr. Louis de provided an overview of the financial statements of the Municipality and responded to questions from Members of the Committee.

MOVED by Councillor McCluskey, seconded by Councillor Nicoll that the Audit and Finance Standing Committee forward the January 24, 2014 staff report to Halifax Regional Council as an Information Item.

Councillor McCluskey stated that HRM still has 230 vacancies. She inquired if staff is planning to fill those positions.

Mr. Greg Keefe, Chief Financial Officer commented that the number accounts for turnover within the organization and explains the normal coming and going related to staff movement. He further noted that as the budget process progresses those numbers should be made clearer and that there would be no trouble bringing forward a report on that matter.

Councillor McCluskey inquired if the Payment In Lieu of Taxes agreement with the Federal Government concerning Citadel is still on the books and whether or not staff is actively involved in that endeavor.

Mr. Keefe commented that staff is very actively involved on that matter and is working very closely with Legal Services and Property Valuation Services Corporation. He commented that the file must still go through the process and is a priority.

Mayor Savage noted that his office has been involved with Federal officials on this issue and is continuing work in that regard.

Further discussion ensued.

MOTION PUT AND PASSED.

9.1.7 Audit of the Consolidated Financial Statements of HRM

This item was dealt with earlier in the meeting. Please see page 4.

9.2 Members of the Standing Committee - NONE

9.3 Office of the Auditor General

9.3.1 Halifax Regional Municipality – A Performance Review of the Administration of Training Expenditures

This item was dealt with earlier in the meeting. Please see page 4-7.

9.4 Grants Committee – NONE

9.5 Investment Policy Advisory Committee – NONE

10. MOTIONS – NONE

11. ADDED ITEMS – NONE

12. NOTICES OF MOTION – NONE

13. IN CAMERA – NONE

14. ELECTION OF CHAIR – GRANTS COMMITTEE

Councillor Walker removed himself as Chair and requested that the Legislative Assistant hold the nomination for the position of Chair of the Grants Committee.

The Legislative Assistant opened the floor for nominations for Chair of the Grants Committee.

MOVED by Councillor Adams, seconded by Councillor Dalrymple that Councillor Walker be elected Chair of the Grants Committee.

The Legislative Assistant called three times for further nominations, as there were none, it was **MOVED by Mayor Savage, seconded by Councillor McCluskey that nominations cease. MOTION PUT AND PASSED.**

Councillor Walker was elected Chair of the Grants Committee.

MOTION PUT AND PASSED.

15. DATE OF NEXT MEETING – April 16, 2014

9.1.4 Discovery Centre Funding Request – Capital & Operating Contributions

The following documentation was before the Committee:

- A staff report dated February 11, 2014
- Correspondence from the Lake Charlotte Area Heritage Society dated March 3, 2014

Councillor Adams declared a conflict of Interest on this matter and left meeting prior to discussion on this matter.

Mr. John Traves, Municipal Solicitor provided background information to the Committee with respect to the declaration of a conflict of interest by an elected official. He further commented that elected officials should consult with Legal Services if they are unsure if they are in a conflict of interest situation.

MOVED by Councillor Mayor Savage and seconded by Councillor Nicoll that It is recommended that the Audit and Finance Standing Committee recommend that Regional Council:

1. **(1) Authorize a \$2 Million (\$2,000,000) contribution to the Discovery Centre, to be funded from the current projected surplus, for capital costs relating to a purpose built facility in Block D of Nova Scotia Power's building on Lower Water Street, subject to the conditions set out in Attachment A of the February 11, 2014 staff report; and**
(2) Approve the transfer of the above noted \$2,000,000 to Q310 – Service Improvement Reserve for future disbursement contingent on meeting the Conditions and following the payment schedule as set out in Attachment A of the February 11, 2014 staff report; and

- (3) Authorize staff to negotiate a funding agreement between HRM and Discovery Centre, to facilitate the disbursement of the \$2 Million (\$2,000,000) contribution towards capital costs, consistent with the funding terms set out in Attachment A of the February 11, 2014 staff report and authorize the Mayor and Municipal Clerk to execute said agreement.**
2. **(1) Authorize an operating contribution of \$145,000 to Discovery Centre for fiscal 2014-2015; and**
- (2) Authorize staff to negotiate a contribution agreement between HRM and Discovery Centre, to facilitate the operating contribution of \$145,000 to Discovery Centre for fiscal 2014-2015, and authorize the Mayor and Municipal Clerk to execute said agreement.**
- (3) Direct staff to withhold disbursement of the operating contribution of \$145,000 to Discovery Centre for fiscal 2014-2015 pending execution of a contribution agreement.**

Mr. Greg Keefe, Chief Financial Officer stated that the recommendation comes as a request from the Discovery Centre. He noted that there is no specific policy in place for a funding request such. He explained that the funding request can be accommodated from the current year surplus. He further commented that there has been great deal of due diligence and work put in to this proposal from HRM staff as well as Discovery Centre staff and that there is no major financial risk in terms of operations involved with this proposal.

Mayor Savage commented that this is a very significant project and that HRM is going to an important partner. He noted that the project will create new jobs in the construction of the project and at the discovery centre itself. He commented that the Discovery Centre sought funding partners in both the public and private sector and remarked that their business plan is very good. Mayor Savage explained that HRM will be contributing a sizable investment in this project which will provide a great deal of benefit for the community.

Councillor Nicoll noted her support for the recommendation and stated that it is time for the Discovery Centre to grow.

Councillor Dalrymple commented that the contribution to the Discovery Centre is very significant and that it is important for this project to go through. He inquired about the use of \$2 million out of the current surplus.

Mr. Keefe replied in the affirmative and noted that the reserve accounts are similar to a dedicated savings account in that next year the municipality can withdrawal money out of it to write a cheque for a particular program.

Councillor Mason stated that he would like to thank the Audit and Finance Standing Committee for allowing him to speak on this matter. He commented that he is very exciting to see the development of the Discovery Centre project. He further commented that he views the project as a local and regional benefit as busses full of children will be coming to the Discovery Centre from all over the Province. He inquired if there is a formalized review process for one-off operating grants that do not go through community Grants program.

Mr. Bruce Fisher, Manager of Financial Policy and Planning stated that staff is currently working on setting up new standards with respect to the Grants policy. He commented that staff is reviewing how HRM manages grant requests how requests such as the proposal from the Discovery Centre fit in to that policy. He noted that some items, such as the Discovery Centre project are one-off type programs and need to be handled diligently.

MOTION PUT AND PASSED.

16. ADJOURNMENT

The meeting was adjourned at 11:43 a.m.

Liam MacSween
Legislative Assistant