

Item No. 9.1.2
HRM Audit & Finance Committee
June 18, 2014

TO: Chair and Members of the HRM Audit & Finance Standing Committee
Original Signed

SUBMITTED BY: _____
Greg Keefe, Director of Finance & ICT/CFO

DATE: May 5, 2014

SUBJECT: **Lake Charlotte Area Heritage Society: Capital and Operating
Funding Request**

ORIGIN

April 1, 2014 – Moved by Councillor Hendsbee, seconded by Councillor Dalrymple that:

HRM Regional Council request a staff report to respond to the request by the Lake Charlotte Area Heritage Society, in its letter of March 3, 2014 for HRM to provide a capital contribution of \$40,000 towards its \$440,000 Visitor Experience Enhancement Project, recognizing it as a pro-rata contribution similar in nature to HRM support provided to the Discovery Centre; and

Be it further resolved that HRM provide annual operational support for the Eastern Shore Archives, up to a maximum of \$45,000 per year, to match any annual operational funding provided by the Province to the Lake Charlotte Area Heritage Society.

LEGISLATIVE AUTHORITY

HRM Charter (2008) s. 70 (1)(av) respecting grants and contributions.

RECOMMENDATION

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

1. Refer the Lake Charlotte Area Heritage Society's request for capital funding to the *Community Grants Program*; and,
2. Decline the request for an annual operating subsidy.

BACKGROUND

The motion of Council specifically references HRM's recent capital and operating grants to the Discovery Centre, Halifax. The request from the Lake Charlotte Area Heritage Society has been considered within the broader context of a municipal Culture and Heritage Priorities Plan and a forthcoming HRM Grants and Contributions Policy.

DISCUSSION

Municipal Operating and Capital Funding: Discovery Centre

The Municipality's operating grant to the Discovery Centre originates in a landlord/tenant relationship dating back to 1997. In 2000, the Centre requested an annual operating grant to sustain operations at the downtown location. Council subsequently approved a grant of \$145,000 the value of which was linked to rent inclusive of taxes and subject to annual review. The grant is outside a formal funding program and is now included as a line item in the Community & Recreation Services budget.

In 2014, the Discovery Centre petitioned HRM to provide a \$2,000,000 capital grant, tax relief, and an annual operating grant of \$220,000.¹ The capital request was reviewed by Government Relations & Economic Development in relation to the project's alignment with municipal objectives and quantifiable economic impact. Regional Council subsequently approved a capital grant of \$2,000,000 towards leasehold improvements to accommodate an expanded and technologically advanced Centre. The total capital cost was estimated to be \$18,500,000; HRM's contribution represents 11% of projected capital costs. An increase in operating subsidy was declined but a contribution agreement between HRM and the Discovery Centre for 2014-15 in the amount of \$145,000 was approved. The duration of this agreement is undetermined.

Funding Options

The *Community Grants Program* provides capital funding up to \$25,000. This funding threshold is consistent with the amount requested from HRM in 2014 and identified in the Society's Phase III draft budget itemized in Attachment 1 of this report. Municipal staff are currently reviewing the HRM grants and contributions with a view to:

- Improving consistency between program policies and procedures;
- Standards in the assessment of relative merit; and
- Equitable access to opportunity.

Given the immediacy of the Discovery Centre's request - due to the expiry of their lease and the re-development of their former location - the request was not deferred pending any revisions to existing programs or the development of new funding options. With respect to on-going operating funding, the *Community Grants Program* explicitly excludes the provision of core funding assistance. Therefore, at this time there is no HRM program to which the Lake Charlotte Area Heritage Society may be referred to for an ongoing operating grant or contribution.

¹ The tax request was subsequently withdrawn.

Municipal Capital Funding: Lake Charlotte Area Heritage Society

The Society was founded in 1995 in response to the impending demolition of the Hosking General Store (c.1891), a significant local architectural and social heritage landmark in the Lake Charlotte community. By 1999, a donation of 4 acres of land enabled an assemblage of sixteen heritage properties and in 2000 the site opened as the Memory Lane Heritage Village whose role is to preserve and present the history of coastal communities 1940 to 1945. Since its inception the Society's activities have expanded to include the Eastern Shore Archives² and the establishment of the Eastern Shore Heritage Preservation Endowment Fund³.

In 2010, the Society initiated a Visitor Experience Enhancement Project at an estimated cost of \$404,000. The project encompasses capital, exhibit programming, and marketing with contributions sought from all three levels of government. (See: **Attachment 1**). It is with respect to this latter project that a capital grant of \$40,000 representing ~10% of projected total costs has been requested in a letter to the Audit & Finance Standing Committee dated March 3, 2014, and included as **Attachment 2** of this report. It should be noted that the Visitor Experience Enhancement Project is not exclusively a capital project and includes non-capital costs such as planning, "management fees", and marketing.

In 2011 and 2012 the Society received a combined total of \$27,500 towards the Visitor Experience Enhancement Project under the *Community Grants Program* and a further \$10,000 in 2013 under the *District Capital Fund* as described below:

- 2011 - \$15,000 for roof repairs to two buildings (Cookhouse and Clam Factory);
- 2012 - \$12,500 for electrical work to one building (Clam Factory);
- 2013 - \$10,000 for repairs to two buildings (Hutts Boathouse and Metalworking Shop)⁴;
- 2014 – Pending. Request for a \$25,000 capital grant for roof repairs (Boat Shop, Mine Manager's Cabin, Assay Office, and Ball Mill), underground electrical connectivity, communications and fire alarm hook-up to five buildings.

If Council awarded a capital grant of \$40,000 to the Society it would exceed the \$25,000 requested from the Municipality for Phase III as noted in the itemized breakdown of project costs. Funding in excess of that requested by the applicant under the *Community Grants Program* and identified in the project budget could inadvertently result in a decrease in the \$355,500 funding sought from other levels of government or the Society's cost-share of \$23,500 in cash. Further, given the number of elements contained within the project, consideration could be given to implementing Phase III over two years: 2014 and 2015.

Provincial Operating Funding: Lake Charlotte Area Heritage Society

² The collection focuses on genealogy and oral history, local business and lighthouses along the Eastern Shore for the period 1940-1950.

³ From 2000 to 2010 the Society received a combined total of \$101,500 under the *Community Grants Program*, excluding any discretionary *District Capital Fund* grants.

⁴ A grant of \$3,000 awarded under the *Community Grants Program* was towards the purchase of a musical instrument; the applicant did not link this request directly to the Visitor Experience Enhancement Project.

Council's consideration of annual operating funding up to a maximum of \$45,000 "...to match any annual operational funding provided by the Province to the Lake Charlotte Area Historical Society [sic]" is predicated on (1) the Society's inclusion in the Nova Scotia Department of Communities, Culture and Heritage *Community Museums Assistance Program*, and (2) the value of assistance received by the Society in any given year.

In 2014, the Society will receive \$21,000 under the *Community Museums Assistance Program*. This level of funding is comparatively high; 61% of museums receive under \$10,000 with a range from \$697 to \$52,047. The program's budget of \$977,707 is static and the funding criteria are under review. Of the 67 museums throughout Nova Scotia admitted to the program, seven (7) are located within HRM representing ~10% of funded venues and ~17% of the program's total budget:

Cole Harbour Rural Heritage Farm Museum	\$43,279
Dartmouth Heritage Museum	\$41,787
Army Museum (Citadel)	\$36,914
Memory Lane Heritage Village	\$21,000
Atlantic Canada Aviation Museum	\$15,338
Musquodoboit Harbour Railway Museum	\$5,928
Fultz House Museum	<u>\$3,830</u>
Total	\$168,076

Municipal Operating Funding: Lake Charlotte Area Heritage Society

Although HRM does not have a designated program of operating grants to community museums the Municipality does provide core operating assistance through tax relief, less than market value leasing, and facility management agreements. In 2013, the Lake Charlotte Area heritage Society received \$14,086 in tax relief; if deducted from matching provincial funding the net difference would be \$6,914. However, the value of tax assistance fluctuates with market value, assessed value, capital investment, and municipal tax rates. If property tax was not recognized as an annual operating cost the value of any matching grant would be \$21,000 but this value could fluctuate based on:

- Any change to the *Community Museums Assistance Program* budget or funding criteria;
- Demand for municipal funding from other organizations in receipt of funding under the *Community Museums Assistance Program* (a total of \$168,076 in 2013);
- Demand from other community museums not in receipt of provincial funding due to the program's eligibility criteria or restricted budget capacity;
- Municipal funding priorities established under the proposed Culture and Heritage Priorities Plan;
- Any reduction in provincial funding to avoid duplication or extend the scope of the *Community Museums Assistance Program*'s existing budget. Consultation with the Nova Scotia Department of Communities, Culture and Heritage is advisable.

Summary

- The Discovery Centre capital grant was a one-time contribution representing ~11% of projected costs. An additional \$40,000 to the Lake Charlotte Area Heritage Society capital grant could represent ~30% of capital costs.
- HRM's operating grant to the Discovery Centre originated within a landlord/tenant relationship that has been replaced with a service contribution agreement tied to municipal objectives and measurable economic outcomes.
- The Lake Charlotte Area Heritage Society's Visitor Experience Enhancement Project is not exclusively a capital project and has been phased over four years (2011-2015). Application for funding has been made to the *Community Grants Program* in 2014 and the Society has the option to do so again in 2015 albeit funding is not guaranteed.
- Based on the *Community Museums Assistance Program* allocation of \$21,000 in 2014, a matching municipal operating subsidy to the Lake Charlotte Area Heritage Society would realize a modest increase in funding in the order of \$6,000-\$7,000 annually if the Municipality's tax relief is recognized as a form of operating subsidy.
- Municipal investment predicated on funding provided by another level of government sets a precedence through which HRM may diminish its ability to establish its own funding priorities and processes.
- Providing operating funding to only one community museum may deny other community museums equitable access to opportunity. Should Council wish to fund the operating costs of the non-profit museum sector it would be advisable to first establish a formal grant program to do so.
- Any expanded provision of operating subsidies to community museums located within HRM warrants review within the context of the Municipality's Culture and Heritage Priorities Plan, existing grant programs, the proposed re-design of HRM's tax relief program for non-profit organizations, an organizational Grants and Contributions Policy, and funding rationalization⁵.

A municipal approach that seeks to match provincial funding is not advisable in advance of Council's approval of the Regional Plan (RP+5). The revised plan proposes the development of a Culture and Heritage Priorities Plan to focus investment in culture and heritage. One of the objectives of the revised Regional Plan is to preserve cultural and heritage resources in HRM and develop policies, programs and regulations to protect and enhance them.

The Culture and Heritage Priorities Plan will be implemented in two phases. Phase I will be a comprehensive, region-wide inventory of existing and potential infrastructure and cultural resources, including museums, archives, historical buildings and sites etc. Phase II uses this inventory to identify 'gaps' and opportunities, and to establish priorities. The Plan will clarify HRM's role with respect to the preservation and enhancement of cultural landscapes, community museums, and collections.

⁵ The term rationalization does not imply program or budget cuts but would seek to eliminate duplication and identify the total combined value of direct and indirect financial and in-kind municipal assistance across all departments and indirectly through HRM supported agencies by recipient organization and by non-profit program or service/programming sector.

FINANCIAL IMPLICATIONS

None.

COMMUNITY ENGAGEMENT

Not applicable.

ENVIRONMENTAL IMPLICATIONS

Not applicable.

ALTERNATIVES

1. The Audit & Finance Standing Committee could direct staff to evaluate Lake Charlotte Area Heritage Society's funding request in relation to the HRM 2011-2016 Economic Strategy as per the approach adopted in relation to the Discovery Centre's capital funding request.

This action is not recommended in advance of the HRM Culture and Heritage Priorities Plan. An evaluation based solely on quantifiable economic impacts might exclude qualitative or social development measures incorporated into a cultural development strategy. Such an approach would also exclude other community museums and cultural facilities from equitable consideration.

2. The Audit & Finance Standing Committee could amend or overturn the staff recommendations presented in this report.

ATTACHMENTS

1. Visitor Experience Enhancement Project: Phase III Budget Estimates.
2. Letter from Lake Charlotte Area Heritage Society to HRM Audit & Finance Committee dated March 3, 2014.

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: Peta-Jane Temple, Team Lead Grants & Contributions, FICT 490-5469

Original Signed

Report Approved by:

Bruce Fisher, Manager Financial Policy and Planning, FICT

Attachment 1

Visitor Experience Enhancement Project: Phase III Budget Estimates

The applicant's projected total cost of \$449,000 with \$45,000 coming from "community in-kind" and the expenditures are not exclusively capital as shown below in the itemized breakdown of projected expenditures provided:

Infrastructure Components \$159,000

- Fisherman's Store and Homestead Deck - \$5,000
- Fibre-optic connection - \$3,000
- Roofing assorted buildings - \$16,240*
- Undergrounding services - \$13,000*
- Complete fire alarm system to buildings - \$5,000*
- Commercial dishwasher - \$5,000
- Maintenance shed - \$20,000
- Upgrade signage - \$15,000
- Design, build and manage entry signage - \$25,000
- Restoration of Woodworking Shop - \$51,760

Programming Components \$230,000

- Exhibits interpretation plan - \$30,000
- Workshops plan, engineering and rebuilding - \$50,000
- Restoration and accessioning of resources - \$45,000
- Exhibit design and programming - \$45,000
- Exhibit fabrication and installation - \$45,000
- Operations manual - \$15,000

Marketing Components \$60,000

- Marketing plan - \$20,000
- Signage and marketing - \$15,000
- Bulk ticket sales campaign - \$25,000

The items marked with an asterisk (*) represent the \$25,000 contribution requested under the 2014 *Community Grants Program*. If HRM were to grant an award of \$25,000 HRM's contribution would be ~6% of total project costs or 15.7% of infrastructure costs. The work can be phased. The anticipated breakdown by funding source is: federal \$210,550 (ACOA); provincial \$144,950 (assorted programs); HRM \$25,000 (*Community Grants Program*) and Lake Charlotte Area Heritage Society \$23,500 plus \$45,000 "in-kind". Note: the budget figures are rounded but presumed to include HST less any portion rebated by the Province.

Attachment 2

Attachment 2

Lake Charlotte Area Heritage Society

Box 1937 Lake Charlotte
Halifax Regional Municipality
Nova Scotia B0J 1Y0
Phone: (902) 845-1937
Fax: (902) 845-2477

Office of the Municipal Clerk
Halifax Regional Municipality
PO Box 1749
Halifax, NS B3J 3A5

March 3, 2014

Dear Madam Clerk,

I am writing to ask you to formally bring to the attention of the HRM Audit and Finance Standing Committee, before their March 5th 2014 meeting, this letter and its attachments. I would also ask that you forward the same information to all members of Council who are not members of the Audit and Finance Standing Committee.

At the Audit and Finance Standing Committee's next meeting an HRM staff report and recommendation will be presented regarding the request by the Discovery Centre for an increase in their annual operational funding from HRM (from \$145,000 to \$220,000), as well as a capital investment of \$2,000,000 by HRM towards the projected \$18,500,000 cost of a new Discovery Centre (located within the Nova Scotia Power building on Lower Water Street).

The purpose of this letter is not to suggest in any way that such a contribution by HRM towards the capital cost and operation of the new Discovery Centre is not warranted. On the contrary, we believe such a contribution would be appropriate and positive for all of HRM and in keeping with various HRM goals, as documented in the staff report.

However, we strongly feel that as a matter of basic fairness, policy consistency and regional equality, with respect to the use of HRM tax revenues, a similar pro rata contribution should be made to two Lake Charlotte Area Heritage Society projects of equal validity. By pro rata contribution I mean that:

1. The Memory Lane Visitor Experience Enhancement Project (see attachment), which is a \$400,000 capital investment project with pending funding from the federal and provincial governments, should receive 10% [\$40,000] of its capital cost from HRM. On a percentage basis this is slightly less than the 10.8% the Discovery Centre project would receive if HRM contributes \$2,000,000 towards its projected \$18,500,000 capital cost.
2. The Eastern Shore Archives, the only provincially accredited archives between Cole Harbour and Guysborough, and the only archives with a geographical mandate covering the Eastern Shore

portion of HRM, should receive annual operational assistance funding equal to that contributed to the Lake Charlotte Area Heritage Society by the Province. In 2012 the Provincial contribution to the Society was \$21,000 but it may rise this year, possibly as high as \$45,000.

By way of comparison, every single year since 2000, HRM has provided the Discovery Centre with annual operational funding (which for the fiscal year 2012-2013 was \$145,000), whereas Memory Lane Heritage Village, which was established as a community-owned and managed initiative in 2000, has received exactly zero in operational funding from HRM over the same time period.

Of course, a science discovery centre and a regional archive are not the same in terms of their mandates, but they are certainly equivalent in terms of their alignment with established HRM priorities, as outlined in the staff review. Similarly, the ability of HRM to respond to our request is identical with that of the Discovery Centre, in terms of our educational mandate, not-for-profit registration, registered charitable status and "immediacy" (the term used in the staff report to suggest a speedy decision is needed).

With respect to the question of "immediacy", the HRM staff report specifically recommends that the Discovery Centre funding request not be deferred pending "prospective program redesign" (HRM staff are currently reviewing the municipality's overall approach to grants, contributions and social heritage strategy). This is an appropriate response given the pending implementation schedule for the Discovery Centre.

However, exactly the same situation applies to our Visitor Experience Enhancement Project, where federal funding (\$210,550) and provincial funding (\$147,450) is contingent upon the project receiving municipal funding.

With respect to our request for matching operational funding for the Eastern Shore Archives, there is even more immediacy. The Archive's current priority is the Eastern Shore Heritage Fieldwork Initiative (see attachment) where time is literally running out as we attempt to collect comprehensive oral histories from the elders of our communities who are 80 or older.

The mandate of Memory Lane Heritage Village is the heritage of eastern HRM's coastal communities in the time period 1940 to 1950. Someone who was ten years of age at the start of WW2 is now 82. For a number of years now we have been doing the best we can with the limited human resources at our disposal, but we are rapidly approaching the point where it will be too late to document this irreplaceable knowledge – despite the fact that as a society we have at our disposal all of the recording technologies we need – something which was not true in earlier times.

In conclusion, I would like to mention two related aspects:

1. In late 2013, international tourism consultant Roger Brooks named Memory Lane Heritage Village as one of the best dozen heritage attractions in all of Nova Scotia. Key factors in this impartial assessment were our commitment to authenticity (which is based on sound documentation, such as oral histories) and our time period, which is unique in North America.

Thus, while it may seem that Memory Lane Heritage Village (a municipally-registered heritage site) and the Eastern Shore Archives are simply small community initiatives, they can in fact have a far-

reaching and positive impact on positioning HRM as great place to live and visit (just as the Discovery Centre does).

2. In 2013, attendance at Memory Lane Heritage Village increased by 23% while attendance at many museums throughout the Province has been in steep decline.

There is now a widespread recognition that Memory Lane Heritage Village is a vital component of the region's tourism industry and is destined to become even more important as we implement our Visitor Experience Enhancement Project, with its goal of doubling visitation within five years. As the Ivany report suggested, it is initiatives like Memory Lane Heritage Village that will, now and in the future, help to create a sustainable economic base for rural communities.

The Lake Charlotte Area Heritage Society appreciates the support we have received in the past from HRM, and, as stated above, we feel the significant previous and proposed HRM support for the Discovery Centre since is laudable. But, our heritage society has two projects of equal importance to our communities. We feel our request is reasonable and parallels the Discovery Centre request. We believe both projects, which come from organizations with a proven and positive track record, can become even more successful and that they should both receive the support of Council.

Yours truly,
Original Signed

Jim Livingston, Chair
Lake Charlotte Area Heritage Society