



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
September 17, 2014**

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

GUESTS: Councillor Steve Craig

STAFF: Mr. Greg Keefe, Chief Financial Officer
Mr. Richard Butts, Chief Administrative Officer
Mr. Larry Munroe, Auditor General
Mr. John Traves, Solicitor
Mr. Liam MacSween, Legislative Assistant

The following does not represent a verbatim record of the proceedings of this meeting.

The agenda, supporting documents, and information items circulated to the Audit & Finance Standing Committee are available online: <http://www.halifax.ca/boardscom/SCfinance/140917afsc-agenda.php>

The meeting was called to order at 10:00 a.m. The meeting adjourned at 12:31 p.m.

1. CALL TO ORDER

The Chair called the meeting to order in Council Chambers, 3rd Floor City Hall, 1841 Argyle Street, Halifax.

2. APPROVAL OF MINUTES – June 18 & July 23, 2014

Councillor McCluskey noted the omission of a seconder for the motion passed in relation to Item No. 9.1.3 on page 4 of the July 23, 2014 minutes. The Legislative Assistant commented that the omission will be corrected to reflect the Councillor that seconded the motion.

MOVED by Councillor McCluskey, seconded by Councillor Walker that the minutes of June 18 & July 23, 2014 be approved as amended. MOTION PUT AND PASSED.

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

Additions:

Item No.12.1 – Approval of Project Funding - Borrow Pit Development/Technical & Owners Engineering Services.

Deletion:

Item No. 9.1.5 – Halifax Transit Advanced Capital Funding.

The Chair suggested that Item Number 12.1 be moved to the first item on the agenda.

MOVED by Councillor Walker, seconded by Councillor McCluskey that the agenda be approved as amended.

MOTION PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RESCISSION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS – NONE

8. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

12.1 Approval of Project Funding - Borrow Pit Development/Technical & Owners Engineering Services.

The following was before the Committee:

- *A staff recommendation report dated September 17, 2014*

MOVED by Councillor McCluskey, seconded by Councillor Adams that the Audit & Finance Standing Committee recommend that Halifax Regional Council:

- 1. Approve capital project spending from Project Account CWU01066 Cell 6 Construction – Otter Lake in the upset amount of \$220,268.00 as funding needed to further develop a**

borrow pit near the Otter Lake site, as outlined in the Financial Implications section of staff report dated September 17, 2014.

2. Approve the allocation of an upset amount of \$100,000.00 from Project Account CWU01066 Cell 6 Construction – Otter Lake for technical and owner’s engineering services to engage and retain professional advice related to the Solid Waste system.

MOTION PUT AND PASSED.

9. REPORTS

9.1 STAFF

9.1.1 First Quarter 2014/2015 Financial Report

The following was before the Committee:

- *A staff recommendation report dated August 25, 2014*

MOVED by Councillor McCluskey, seconded by Councillor Walker that the Audit & Finance Standing Committee forward the staff report dated August 25, 2014 to Regional Council as an Information Item.

MOTION PUT AND PASSED.

9.1.2 Capital (Project) Budget Projections

The following was before the Committee:

- *A staff recommendation report dated August 28, 2014*

MOVED by Councillor Adams, seconded by Councillor Mosher that the Audit & Finance Standing Committee forward the staff report dated August 28, 2014 to Regional Council as an Information Item.

Councillor Outhit joined the meeting at 10:07 p.m.

Ms. Jane Fraser, Director of Planning and Infrastructure, introduced Ms. Crystal Nolan, Senior Financial Analyst. Ms. Fraser provided a presentation pertaining to the Capital (Project) Budget Projections

The Chair thanked Ms. Fraser and Ms. Nolan for the presentation and requested questions of clarification from the Members of the Committee.

Councillor Craig joined the meeting at 10:16 p.m.

Councillor McCluskey inquired as to why HRM would consider returning Capital Cost Contributions collected from Developers.

Ms. Fraser stated that staff would only consider returning some Capital Cost Contributions in instances where developers may have been over charged.

Mr. Keefe, Chief Financial Officer noted that Capital Budget Projections will be included in the regular quarterly reports on a go forward basis. He commented that the projections will be very useful as it assists in budget planning.

MOTION PUT AND PASSED.

9.1.3 Debt Guarantee Provided to Halifax Regional Water Commission by HRM

The following was before the Committee:

- *A staff recommendation report dated September 12, 2014*

MOVED by Councillor Walker, seconded by Councillor McCluskey that the Audit & Finance Standing Committee recommend to Halifax Regional Council that all debt issued by the Nova Scotia Municipal Finance Corporation on behalf of the Halifax Regional Water Commission be guaranteed by the Halifax Regional Municipality subject to the Water Commission maintaining a debt service ratio of 35% or less.

Mr. Greg Keefe, Chief Financial Officer noted that the proposed debt guarantee from the HRM to Halifax Water is a requirement of the Municipal Finance Corporation to secure loans in excess of \$ 70 million. He commented that staff have assessed this matter and noted that there is not a great deal of risk to the Municipality in providing a debt guarantee given Halifax Water's predictable revenue streams, the requirement of the submission of a debt plan and the high level of oversight involved in approving further debt to the utility by the Nova Scotia Utility and Review Board.

Mayor Savage inquired if other water utilities in the province are required to have the same type of debt guarantee.

Ms. Cathie O'Toole, Chief Financial Officer, Halifax Regional Water Commission, commented that Halifax Water is the only water utility in Nova Scotia which requires the guarantee from the Municipal Finance Corporation. She advised that this is due primarily to the size of Halifax Water and the fact that it is not a line department of HRM. She further noted that most utilities in Nova Scotia are internal departments of the municipality and do not require the same guarantee.

Councillor Craig thanked the committee for allowing him to speak on this matter and inquired about the authority that Council has to approve the debt guarantee.

Mr. Keefe noted that the Municipal Finance Corporation has a policy where it will not grant loans in excess of \$70 million to Halifax Water without a guarantee. He commented that under the current legislation, HRM is responsible for assuming Halifax Water's assets and debt should it fold. He further commented that the debt guarantee which is before the committee is way to respond to the Municipal Finance Corporations request.

Councillor Outhit inquired as to how the 35% debt service ratio figure is derived.

Mr. Keefe noted that the number is a best practice. He noted that the province requests that debt service ratios fall between 15 and 30%. He commented that utilities are a bit different due to sources of revenue and easy to predict revenue streams. He noted that staff is comfortable with the 35% debt service ratio figure as outlined in the report.

Ms. O'Toole commented that the Utility and Review Board (UARB) conducted a debt study which involved consultations with the Department of Service Nova Scotia and Municipal Affairs, the Provincial Department of Finance, Municipal Finance Corporation and Interveners who participate at Halifax Water's rate hearings which accepted the report as filed.

Councillor Outhit inquired if other utilities across the country have this same type of requirement.

Ms. O'Toole noted that debt service strategies for utilities vary across the country as may have differing financing strategies and governance structures. She further noted that publicly owned utilities are generally less risk tolerant than those which are privately owned.

Councillor Outhit inquired about changing federal regulations with respect to water and wastewater and inquired if Halifax Water will acquire more debt because of the changes.

Mr. Keefe cited work undertaken with the federal government on a debt plan which forecast projections for the next thirty years. He commented that it report takes in to account the amount of capital required by the utility under the new regulatory framework. He further remarked that are opportunities for federal and provincial funding in this regard.

MOTION PUT AND PASSED.

9.1.4 Write-off of Provincial cost sharing – Bus Rapid Transit

The following was before the Committee:

- *A staff recommendation report dated July 29, 2014*

MOVED by Councillor Outhit, seconded by Councillor Walker that the Audit & Finance Standing Committee

- 1. Forward the staff report dated July 29, 2014 to HRM Regional Council for approval; and,**
- 2. The capital recovery in the amount of \$706,000 per general revenue account 00400445, Nova Scotia Transportation and Infrastructure Renewal, be formally written out of the books of account.**

Councillor Nicoll joined the meeting at 10:37 a.m.

Mr. Greg Keefe, Chief Financial Officer commented that work on this matter started one year ago as part of a review being undertaken by staff on outstanding projects.

Mayor Savage commended staff for doing an audit on outstanding projects. He expressed concern that this project was never fully completed but noted the benefits of it being addressed. He commented that he is confident that every effort was made to try and resolve the matter and cited the recent commitment of the Province to provide \$2 million in funding for transit.

Councillor Mosher echoed Mayor Savage's comments and stated that she does not blame the province for not tendering old projects. She noted that on a go forward basis, council and staff need to ensure that the proper procedures are in place to ensure that this does not happen again. She inquired if there will be a dedicated staff person dedicated to this type of work.

Mr. Keefe noted that the Auditor General has pointed out that in some there has been a lack of a point person who is responsible for the completion of a project. He commented that HRM's management has been moving in the direction to ensure that there is a point person for all projects who is accountable for the effective management of that project.

MOTION PUT AND PASSED.

9.1.5 Halifax Transit Advanced Capital Funding

The following was before Committee:

- *A staff recommendation report dated August 22, 2014*

This item was removed from the agenda during the approval of the order of business. Please see page 2.

9.1.6 Investment Activities – Quarter Ending June 30, 2014

The following was before the Committee:

- *A staff recommendation report dated September 5, 2014*

MOVED by Councillor Outhit, seconded by Councillor Walker that the Audit & Finance Standing Committee forward the staff report dated September 5, 2014 to Regional Council as an Information Item.

MOTION PUT AND PASSED.

9.1.7 Additional Funding Request for Legal Services File Management System

The following was before the Committee:

- *A staff recommendation report dated September 4, 2014*

MOVED by Councillor Nicoll, seconded by Councillor Walker that the Audit & Finance Standing Committee recommend that Regional Council approve an increase to the 14/15 project Account No. C1990004 – ICT Business Tools by \$100,000, with funding from Operating Surplus Reserve Q328, to enable the purchase and implementation of a file management technology solution for Legal Services.

MOTION PUT AND PASSED.

9.1.8 Write-off of Uncollectible Accounts

The following was before the Committee:

- *A staff recommendation report dated August 15, 2014*

MOVED by Councillor McCluskey, seconded by Councillor Nicoll that:

1. **The Audit and Finance Standing Committee forward the staff report dated August 15, 2014 to HRM Regional Council for approval;**
2. **The business occupancy tax accounts in the amount of \$26,266.66 comprised of \$15,961.75 principal and \$10,304.91 interest as detailed in Schedule 2 be formally written out of the books of account;**
3. **The general revenue accounts in the amount of \$ 27,508.76 comprised of \$26,503.31 principal and \$1,005.45 interest as detailed in Schedule 3 be formally written out of the books of account;**
4. **The real property tax accounts in the amount of \$3,371.94 comprised of \$2,947.57 principal and \$424.37 interest as detailed in Schedule 4 be formally written out of the books of account;**
5. **The capital recovery in the amount of \$59,432.37 as detailed in Schedule 5 be formally written out of the books of account;**

Councillor McCluskey requested further information pertaining to the capital recovery write off.

Mr. Jerry Blackwood, Manager of Revenue commented that account pertained to a legacy project undertaken by Feed Nova Scotia at Victoria Park in Dartmouth. He advised that Regional Council approved capital funding for the project in 2000 which stipulated that the grant be repaid to HRM through the sale of commemorative bricks for the project. He commented that there were some difficulties over the years due to a shortfall of brick donations as such he noted that it is the recommendation of staff that the account be written off.

MOTION PUT AND PASSED.

9.1.9 6067 Quinpool Road, Halifax – Administrative Order 50

The following was before the Committee:

- *A staff recommendation report dated July 30, 2014*

MOVED by Mayor Savage, seconded by Councillor McCluskey that the Audit and Finance Standing Committee recommend Regional Council:

- 1) Approve a budget increase of \$200,000.00 to Project Account No.CBX01162 – Environmental Remediation/Building Demolition, with funding from Q101, Sale of Capital Assets Reserve, for contract planning services for the purpose of undertaking the process to amend the Municipal Planning Strategy for Halifax and the Land Use By-Law for Halifax Peninsula at 6067 Quinpool Road, as previously approved by Halifax Regional Council on July 22, 2014, Item 11.1.8; and,**
- 2) Approve a budget increase of \$4,500,000.00 to Project Account No.CBX01162 – Environmental Remediation/Building Demolition, with funding from Q101, Sale of Capital Assets Reserve, for demolition and environmental remediation at 6067 Quinpool Road, as previously approved by Halifax Regional Council on July 22, 2014, Item 11.1.8.**

Mayor Savage stated his concerned that the estimations for several projects that have been before Regional Council recently have not been accurate. He inquired if it is beneficial to consult an outside organization to help determine project estimates as there are several large infrastructure projects for the municipality on the horizon.

Ms. Jane Fraser, Director of Planning and Infrastructure, noted that project managers have been asked to identify the accuracy of the numbers pertaining to infrastructure projects before going to tender and to determine whether or not detailed designs have been implemented. She commented that staff will provide more information with respect detailed design criteria to contractors which will assist in obtaining better cost estimates. She commented that staff will absolutely need outside assistance to determine costs for larger type projects.

Mayor Savage expressed his confidence that staff is capable of doing overseeing large projects but noted that in some instances outside expertise is required.

Ms. Fraser commented that costing for this specific project was based on a similar demolition project, the former Queen Elizabeth II High School, with the numbers adjusted for inflation. She noted that as work was underway, more soil contamination was found which was greater than what was anticipated. She commented that changes to the First Quarter project budget forecasting will help to ensure proper more accurate estimations.

The Chair noted that through discussions with individual contractors in the private sector, discrepancies in project estimations happen more than most would think. He commented that time of year in which projects are tendered often have an impact on the overall cost. He noted that this may be something for staff to consider in the future.

Councillor Outhit noted that there have been a few surprises of late respecting increased costs for projects. He further commented that he is not sure that the municipality should be in the business of tearing things down

Mr. John Traves, Solicitor commented that within the context of environmental remediation, the property owner is responsible for the clean-up. He noted that oftentimes there is a difficulty predicting costs with respect to environmental remediation as the extent of contamination is not always known to the full degree until further work commences.

Mr. Richard Butts, Chief Administrative Officer, commented that all the points made by the Committee are valid. He noted that staff does its best to ensure that estimates are as accurate as possible and noted that in the majority of cases, they are accurate. He provided commentary on the risks involved in construction and demolition projects and noted that staff strives to mitigate these risks.

Councillor Mosher commented that she appreciates the work on this matter coming forward and is looking forward to the opportunities for the new use of the land. She inquired if HRM is liable for any future issues on the land if it is not remediated properly.

Mr. Traves, Solicitor commented that there are issues in owning property that have environmental concerns and that the property owners are bound by the Environment Act. He commented that there could be liabilities that the Municipality is opened to and that HRM would expect to receive a certificate from the company who is undertaking the remediation work to ensure that it was properly completed.

MOTION PUT AND PASSED.

9.1.10 Request for Budget Increase and Tender Award, Bicentennial Theatre Renovation

The following was before the Committee:

- *A staff recommendation report dated July 29, 2014*

MOVED by Councillor Adams, seconded by Councillor Outhit that the Audit & Finance Standing Committee recommend that Regional Council

- 1. Approve an increase to Project No. CB000035 - Bicentennial Theatre Renovation, in the amount of \$75,000, with funding from the Capital Surplus Reserve Q103; and**
- 2. Award Tender T14-159 – Bicentennial Theatre Renovations to the lowest tender price, Schooner General Contracting Limited, in the amount of \$300,239.39 (Net HST Included) with funding from Project No. CB000035 – Bicentennial Theatre Renovations as outlined in the Financial Implications section of the staff report dated July 29, 2014.**

Councillor McCluskey noticed that the index on the current facility has a condition index rating of 13% and inquired as to who conducted that survey and whether or not the facility is managed by an external group.

Mr. Richard McLellan, Manager of Energy and Environment commented that HRM retained Capital Management Engineering to provide comprehensive reports on the facility and that is where the figure came from. He noted that he was not clear with respect to the governance structure for the facility and noted that he would follow up with the Councillor with that information.

In response to a follow up question, Mr. McLellan noted that if the facility reaches 20% on the condition index it would be considered a deteriorating asset.

MOTION PUT AND PASSED.

9.1.11 Public Water Access to Wrights Lake

The following was before the Committee:

- *A staff recommendation report dated July 30, 2014*

MOVED by Councillor Walker, seconded by Councillor McCluskey that that Audit and Finance Standing Committee recommend that Regional Council;

- 1. Approve an increase of \$60,000 to 2014/15 Capital Budget Account CPX01331 Regional Water Access/Beach Upgrades to be funded from the Westwood Hills Residents**

**Association Area Rate for the purpose of creating a public canoe/kayak put-in on
Municipal Property located at Wrights Lake;**

- 2. Authorize staff to enter into negotiations with Nova Scotia Power to secure a licence to allow for the portion of the canoe/kayak put-in required to be placed on NSPI lands (PID: 41228032) on Wrights Lake.**

MOTION PUT AND PASSED.

9.2 OFFICE OF THE AUDITOR GENERAL

9.2.1 A Performance Review of HRM's Equipment Fuel Program

Mr. Larry Munroe, Auditor General provided a presentation pertaining to a Performance Review of HRM'S Equipment Fuel Program.

The Chair thanked Mr. Munroe for his presentation and requested questions of clarification from members of the Audit & Finance Standing Committee.

Councillor Adams thanked Mr. Munroe for his presentation and expressed concern regarding the missing fuel fobs and inquired as to whether or not there is a system for locating them.

Mr. Munroe replied that the control systems currently in place arguably are not strong enough to pinpoint the exact location of the cards.

Councillor Adams inquired if it is possible to tell if fuel fobs are being used for personal vehicles. Mr. Munroe commented that his office did not see evidence of that and noted that the manner in which the control systems are currently operated, it would be difficult to tell whether or not the fobs are being used for personal use.

Councillor McCluskey thanked Mr. Munroe for his presentation and noted that many of these issues relating to missing fuel fobs speak to broader people management issues.

Mr. Munro agreed with Councillor McCluskey' s assessment and noted that training improvements will likely make a difference along with tighter control systems. He stated that many of the individuals that he spoke to believed that there were stringent controls operating in the background.

Councillor Nicoll thanked Mr. Munroe for his presentation and noted that HRM needs a new system to shift the mindset of the entire organization pertaining to the equipment fuel program.

The Chair alluded to the fact that HRM is in a much better place than ten years ago, with respect to control systems and internal audits. He commented that the Auditor General's report proves that there is area for improvement. He inquired as to why HRM staff removed control of fuel equipment programs from individual business units and centralized it to one business unit.

Mr. Munroe noted that the centralization took place to deal with concerns arising from the purchasing of fuel and the invoicing of fuel purchases. He noted that this caused some concern within his office and commented that both Mr. Butts and Mr. Keefe have committed to reviewing this matter.

Mr. Keefe agreed with the Auditor General's comments and noted that the decision took place due to invoicing issues at the individual business unit level. He commented that work is ongoing with respect to equipment controls at the individual business unit level at that changes will be coming in the near future.

Further discussion ensued with the Chair thanking Mr. Munroe and staff members from the Office of the Auditor General on behalf of the Audit & Finance Standing Committee.

9.3 INVESTMENT POLICY ADVISORY COMMITTEE

9.3.1 Investment Policy Advisory Committee Report – Quarter Ending June 30, 2014

The following was before the Committee:

- *A staff recommendation report dated September 3, 2014*

MOVED by Councillor Nicoll, seconded by Councillor Walker that the Audit & Finance Standing Committee forward the Investment Policy Advisory Committee report dated September 3, 2014

MOTION PUT AND PASSED.

9.4 GRANTS COMMITTEE – NONE

9.5 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

10. MOTIONS – NONE

11. IN CAMERA – NONE

12. ADDED ITEMS

12.1 Approval of Project Funding - Borrow Pit Development/Technical & Owners Engineering Services.

This item was dealt with earlier on the agenda. Please see pages 2-3.

13. NOTICES OF MOTION

14. DATE OF NEXT MEETING – October 15, 2014

15. ADJOURNMENT

The meeting adjourned at 12:31 p.m.

Liam MacSween
Legislative Assistant