



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
May 20, 2015**

- PRESENT:** Councillor Bill Karsten, Chair
Councillor Gloria McCluskey
Councillor Reg Rankin
Councillor Steve Craig
Mayor Mike Savage
- REGRETS:** Councillor Linda Mosher, Vice-Chair
Councillor Barry Dalrymple
- STAFF:** Mr. Greg Keefe, Chief Financial Officer
Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, Municipal 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/150520afsc-agenda.php>

The meeting was called to order at 10:00 a.m. and adjourned at 12:22 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 – March 27, April 15 & May 4, 2015 (Special Meeting)

MOVED by Councillor McCluskey, seconded by Mayor Savage that the minutes of March 27, April 15 & May 4, 2015 (Special Meeting) be approved as presented. MOTION PUT AND PASSED.

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

Additions: None

The committee agreed by consensus to move Item No. 9.3.1 Investment Policy Advisory Committee Report – Quarter ending December 31, 2014 up on the agenda to take place before the Auditor General's presentation.

MOVED by Councillor McCluskey, seconded by Councillor Rankin that the agenda be approved as presented. 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

9. REPORTS

9.1 STAFF

9.1.1 Strategic Studies Reserve Q330

The following was before the committee:

- *A staff recommendation report dated May 6, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Craig that that the Audit & Finance Standing Committee recommend Halifax Regional Council to approve the establishment of the Strategic Studies Reserve (Q330), as per the attached Reserve Business Case.

Councillor McCluskey inquired as to what type of research would be included in the proposed Strategic Studies Reserve.

Ms. Crystal Nowlan, Senior Financial Consultant noted that the proposed reserve account would include higher level long term strategic studies such as traffic studies which are Regional in scope.

Mr. Greg Keefe, Chief Financial Officer commented that the purpose of the reserve is to remove strategic studies out of the capital budget as they are operational in nature and should not be included in the capital budget.

In response to a follow up question from Councillor Craig, Ms. Nowlan noted that the initial decision on whether or not a study is warranted is made when the project charter is first reviewed by the Business Unit Director and Chief Administrative Officer. She further advised that if there are changes to the project as it moves forward which are identified as 'out of scope', it follows the normal approval process for operating expenditures.

In response to a follow up question from Councillor Rankin, Mr. Keefe advised that there is no connection between strategic capital projects previously approved by Council and the proposed strategic studies reserve. He commented that staff does not intend for the strategic studies reserve to be an all-purpose contingency fund.

Further discussion ensued.

MOTION PUT AND PASSED.

9.1.2 Investment Activities Quarter Ending December 31, 2014

The following was before the Committee:

- *A staff recommendation report dated May 6, 2015*

MOVED by Councillor Craig, seconded by Councillor McCluskey that the Audit and Finance Standing Committee forward the staff report dated May 6, 2015 to Halifax Regional Council as an information item.

Councillor Craig commented that the report from the Investment Policy Advisory Committee for the Quarter Ending December 31, 2015 is later than it is normal provided due to scheduling issues with the committee. He advised that the report gives an overview of current state of the HRM's investment accounts and advised of the hard work being undertaken by staff and the committee.

Mr. Derek Tynski, Deputy Treasurer provided an overview of the report. In response to a question from Councillor McCluskey, he advised that the investments are handled by HRM staff as opposed to an external management company.

MOTION PUT AND PASSED.

9.1.3 Capital Cost Contribution Study

The following was before the Committee:

- *A staff recommendation report dated April 16, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Craig that the Audit and Finance Standing Committee recommend to Halifax Regional Council to approve an increase to operating cost centre C320 — Planning in the amount of \$200,000 including net HST, and that this increased budget be funded from a repayable loan withdrawal from the Service Improvement Reserve (Q31 0) for the completion of the Capital Cost Contribution (CCC) study as outlined in the Financial Implications section of the staff report dated April 16, 2015.

Mayor Savage noted his support for the staff recommendation and advised that if it is approved by Regional Council, there will be an opportunity for consultation with industry and the public.

MOTION PUT AND PASSED.

9.1.4 Special Elections: Appointment of Returning Officer, Delegation of Duties, Authorization for Reserve Withdrawal, Method of Voting

The following was before the Committee:

- *A staff recommendation report dated May 11, 2015*

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

- 1. Authorize the withdrawal from election reserve account Q313 to A125 for the sum of \$170,000 to conduct a single district Special Election in the event one is required. Should an at-large or multiple district Special Election be required, the election office will provide a subsequent report to the Audit & Finance Standing Committee informing them of new budget requirements.**

MOTION PUT AND PASSED.

9.1.5 Request for Proposal (RFP) – 14-340 Design, Supply and Install LED Streetlights

The following was before the committee:

- *A staff recommendation report dated May 12, 2015*

MOVED by Councillor Rankin, seconded by Councillor Mayor Savage that the Audit & Finance Standing Committee recommend that Halifax Regional Council:

- 1. Award RFP #14-340 Design, Supply and Install LED Streetlights to the highest scoring proponent, GJ Cahill and Company Ltd, for a total price of \$37,230,102 (net HST included) and a 24 month implementation, with funding from CT000005 – LED Conversion of HRM Streetlights, as outlined in the financial implication section of the staff report dated May 12, 2015**
- 2. Approve the total capital project cost in the amount of \$47,645,179 for Project CT000005 – LED Conversion of HRM Streetlights, which includes \$468,000 required for project management, design review, and inspection resources to help ensure successful implementation of the project. This amount will be funded and repaid in full from operating savings generated and placed into Q327 LED Streetlight Reserve.**

Mayor Savage noted his support for the staff recommendation and requested further information with respect to the cost increase of \$ 7 million from the time the project was first considered in 2013.

Ms. Tanya Davis, Senior Traffic Operations Engineer noted that the initial project estimate which was provided in 2013 totalled \$ 40 million and advised that since then, staff has had the opportunity to do an analysis on the full inventory of the equipment slated for replacement as part of the overall project. She commented that the figure has increased since the preliminary project estimate, as additional work and equipment has been identified, such as the replacement of light brackets in rural areas. She advised that project contingencies have also been built in to the new figure to address unforeseen costs as work progresses on the project.

In response to a follow up question from Mayor Savage, Mr. Keefe commented that there are some risks at a strategic level involving the work that needs to be undertaken in replacing light infrastructure. He commented that in some instances, as the work is being completed, light poles and other equipment may need to be replaced or repaired which would impact the cost of the project. He advised that staff has built contingency funding in to the project estimate to help manage these type of circumstances. He further advised that the estimated cost recovery is based on the current LED infrastructure that is already in use by the municipality.

Councillor Rankin requested further information with respect to the cost recovery of utilizing LED streetlights.

Mr. Keefe noted several cost saving measures such as moving the project to a twenty four month implementation plan as opposed to a 48 month plan which will save approximately \$5 million in energy costs over the two year plan. He further advised that the LED lights use 50-60% less energy than the current incandescent lights.

In response to a follow up question from Councillor McCluskey, Ms. Davis noted that a full design for the entire streetlight network will be conducted to ensure that the proper lighting is used for each area of the municipality.

In response to a question from Mayor Savage, Ms. Davis noted that there were two bids that were deemed inappropriate for the contract on the project as they were deemed non-compliant.

MOTION PUT AND PASSED.

9.3 INVESTMENT POLICY ADVISORY COMMITTEE

9.3.1 Investment Policy Advisory Committee Report – Quarter ending December 31, 2014

The following was before the Committee:

- *A staff recommendation report dated April 2, 2015*

MOVED by Councillor Craig, seconded by Councillor Rankin that the Audit & Finance Standing Committee forward the Investment Policy Advisory Committee report dated April 2, 2015 to Halifax Regional Council as an information item.

Councillor Craig noted the report was reviewed by the Investment Policy Advisory Committee on May 4, 2015. He advised that Mr. Derek Tynski is retiring and commented that Mr. Shawn Williams will be replacing him.

Councillor Karsten thanked Mr. Tynski for his years of dedicated service and extended best wishes on behalf of the Committee.

MOTION PUT AND PASSED.

9.2 OFFICE OF THE AUDITOR GENERAL

9.2.1 Compliance Review of Expenses: Mayor, Councillors, Senior Management and Staff, 2013/14©

Mr. Larry Munroe, Auditor General, provided a presentation on Compliance Review of Expenses: Mayor, Councillors, Senior Management and Staff.

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

Councillor Craig requested commentary with respect to the use of SAP or other modules to assist in the automation and calculation of expense reports. He noted his opinion that it is not practical for Councillors to approve the expenses of other Councillors and advised that he is more comfortable with expense claims being handled by the Councillor Support Office.

Mr. Munroe provided commentary with respect to applying a level of automation with respect to the processing of expense claims to help reduce the potential of mathematical errors. He further noted that the Councillor Support office has been doing an excellent job with respect to managing Councillor Expense claims and advised that the need for strong controls and systems in this regard will help establish clear procedures which will be used by future employees.

Mr. Keefe noted that staff is currently working on a SAP project which will involve an internal online portal for employees to utilize to claim expenses. He advised that this will assist with the automation of expense accounts.

In response to a follow up question from Mayor Savage Mr. Munroe commented that his office will provide additional recommendations in the future in relation to the "one up approval" process for elected officials.

Councillor McCluskey requested further information as to whether Councillors should claim mileage from their homes, or their City Hall Offices as in most cases, Councillor do a majority of their work from their home offices.

Mr. Munroe noted that Councillors have the choice as to where they wish to claim mileage from home or from their City Hall offices. He advised that Councillor's should be clear as to what location they are claiming expenses from.

Councillor Karsten noted that there are very few individual purchasing cards that are held by individual councillors.

Mr. Munroe acknowledged and thanked Mr. Jordi Mann and Andrea Barnes Young of the Office of the Auditor General who has undertaken the work on the project.

9.2.2 Performance Review of Risk Management: Fuel Spill at Halifax Transit©

Mr. Munroe provided a presentation on a Performance Review of Risk Management: Fuel Spill at Halifax Transit.

Councillor Karsten thanked Mr. Munroe for his presentation and requested questions of clarification from members of the standing committee.

Mayor Savage noted his concern with the report and advised that it the spill could likely have been avoided. He advised that staff is working diligently to ensure that the situation does not happen again by putting stronger controls in place to mitigate risks associated with fuel spills. He inquired if this type of incident is happening at other HRM facilities.

Mr. Munroe noted that it is important to provide the correct level of oversight and referenced the recommendation to do a review of the controls that are put in place to mitigate fuel spills. He commented that another spill could potentially happen again, but noted that HRM staff is currently taking steps to mitigate this.

Councillor McCluskey inquired if neighbouring properties were heavily impacted by the fuel leak.

Mr. Munroe stated that he did not specifically address the impact on neighbouring properties in his review of the matter but noted that the remediation of the spill was completed to the appropriate environmental standards set by the province.

Councillor McCluskey further inquired as to how the loss of 40-50 thousand liters of fuel went unnoticed.

Mr. Munroe noted discussions held with Halifax Transit in that regard and stated that as the fuel leak took place during the winter months. He advised that staff believed that there were other circumstances that lead to the over consumption of fuel such as winter re-routing activities.

In response to a follow up question from Councillor McCluskey, Mr. John Traves, Municipal Solicitor noted that insurance for fuel leak coverage is dependent on the type of insurance policy that is in place. He advised that the matter is before the courts and that Legal Services is actively working on the file.

Councillor Rankin noted that both Council and staff are taking the matter seriously. He advised that the fuel spill was a staggering loss in terms of money and reputation and noted that staff is actively pursuing the appropriate level of controls to ensure that it does not happen again.

Mr. Munroe commented that he had many discussions with the Chief Administrative Officer and the Director of Halifax Transit who have a strong sense of responsibility with respect to the matter.

Mr. Munroe thanked the committee and acknowledged Ms. Madeline Trider and Andrea Barnes Young of the Office of the Auditor General who prepared the report. He also introduced Ms. Sarah Bowdridge and Mr. David Rebello who are new additions to his staff.

9.3 INVESTMENT POLICY ADVISORY COMMITTEE

9.3.1 Investment Policy Advisory Committee Report – Quarter ending December 31, 2014

This matter was dealt with earlier in the meeting. Please refer to page 5.

9.4 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

9.5 GRANTS COMMITTEE – NONE

10. MOTIONS – NONE

11. IN CAMERA

11.1 Approval of In Camera Minutes – April 15, 2015

The following motion was passed in public session:

MOVED by Councillor McCluskey, seconded by Mayor Savage that the In Camera minutes April 15, 2015 be approved as circulated. MOTION PUT AND PASSED.

12. ADDED ITEMS

13. NOTICES OF MOTION

14. DATE OF NEXT MEETING – July 17, 2015

15. ADJOURNMENT

The meeting adjourned at 12:22 p.m.

Liam MacSween
Legislative Assistant