

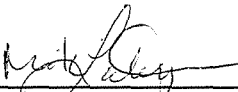


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**Audit & Finance Standing Committee**  
**September 21, 2011**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:**

  
Mike Labrecque, Deputy Chief Administrative Officer, Operations

**DATE:** August 29, 2011

**SUBJECT:** Multi-District & Event Facilities

**ORIGIN**

- Motion of Council at the April 28, 2011 Committee of the Whole Budget Deliberations "MOVED by Councillor Watts, seconded by Councillor Sloane, that Halifax Regional Council request a staff report outlining the proposed plan around proposals for indoor facilities, community facilities, role of the multi-district facilities and identify future budget implications for HRM. MOTION PUT AND PASSED."
- Recent approaches to staff from several of the multi-district facilities and event facilities ~~struggling to meet the full cost recovery model for operating costs and/or have outstanding capital debt issues.~~
- Recent completion of needs assessment studies presented to Regional Council and referred to the Audit & Finance Standing Committee - the Dartmouth Sportsplex Revitalization Study and Peninsula Recreation Facility & Service Review that included the Halifax Forum.
- Outstanding recommendations in previous reports and studies.

**RECOMMENDATION**

In order to achieve appropriate community outcomes, it is recommended that the Audit and Finance Standing Committee recommend Halifax Regional Council approve:

1. That until accountability and reporting processes are updated (as a result of the work in phase 1 of the proposed project charter) that no new facilities be constructed and no major capital expansion approved in any HRM owned recreation facility. Further, that no new subsidies or significant changes to existing subsidies be approved with a term of more than one year.

**RECOMMENDATIONS CONTINUED ON PAGE 2**

2. The proposed two phased approach, focussing on accountability and reporting work in Phase 1 as the necessary preparation for the alignment work in Phase 2.
3. That HRM staff be directed to complete the Indicators (Appendix 6 of the Consultants Report) for the remaining Category 3 and 4 facilities to determine whether they should be included in the Phase 1 project plan.
4. That as part of Phase 2 (alignment), HRM repayment plans be developed for any outstanding capital or operating amounts owing from *Multi-District Facilities* (MDF) where no repayment plans exist at that time. Repayment plans should be in place by no later than November 2013, within one year of the proposed start of phase 2. This does not preclude repayment plans being developed earlier.

## **BACKGROUND**

### Facility Categories and Portfolio Summary

The 2008 Community Facility Master Plan categorized facilities under the following groups:

- Category 1 Neighbourhood Community Recreation Centres
- Category 2 Multi-District Hub Facilities
- Category 3 Sport Facilities
- Category 4 Event Facilities

Category 1 Facilities – comprised of neighbourhood community centres. They are usually less than 16,000 square feet in size and serve a population draw of 15,000. They provide introductory level programming activities.

Category 2 Facilities – the main focus of this report is comprised of the multi-district, multi-purpose facilities. They are 100,000 to 200,000 square feet and serve a population draw of 60,000 to 80,000. They provide a higher specialized programming activity and may include pools, large fitness centres and arenas.

Category 3 Facilities – comprised of sport specific facilities. They may be arenas or a pool and serve a specific use. Their size varies depending on the sport specific use.

Category 4 Facilities - are specialized facilities for spectator use and event hosting. Their size depends upon the event speciality requirements.

To demonstrate the magnitude of this infrastructure, the following table summarizes by category the total estimated facility operating budgets and replacement values, and total footprint in square feet.

<b>TABLE 1 (2010/11 Fiscal Year)</b>							
<b>Category Number</b>	<b>Category Descriptor</b>	<b>Total #</b>	<b>Board Operated</b>	<b>Municipal Operated</b>	<b>Total Operating Budgets (\$)</b>	<b>Total Sq. ft.</b>	<b>Total Replacement Value (\$)</b>
<b>1</b>	Community Centres	47	25	22	\$11.4M*	620,000	\$175M
<b>2</b>	Multi District	5	4	1	\$17.9M**	660,000	\$181M
<b>3</b>	Sports	12	7	5	\$5.2M**	390,000	\$104M
<b>4</b>	Events	4	3	1	\$10.9	312,000	\$93M
<b>Total</b>		68	39	29	\$45.4M	1,982,000	\$553M

\* In some facilities it includes satellite location programming

\*\* Includes estimated full year budgets for Canada Games Centre and BMO Centre

In 1996, the Municipality assumed responsibility of any outstanding original construction debts for these facilities. The multi-district facilities then promptly underwent expansions which carried new debt repayment obligations. It should be noted that none of these expansions originated from Regional Council or staff, but instead all originated from the Management Boards with repayment plans which were subsequently accepted and approved by Regional Council. Some have been more successful than others at maintaining those plans. All of the recent new facility construction originated from Council directed needs analysis and principles found in the Community Facility Master Plan.

Category 3 Sports Facilities is comprised predominately of the arenas and Centennial Pool. The arenas are being reviewed in a separate exercise known as the Long Term Arena Strategy. Centennial Pool has some similar issues to the Category 2 facilities and requires further study.

Category 4 Event Facilities include the Halifax Forum Complex, the Metro Centre, Alderney Landing and the Commons Pavilion. The Commons Pavilion is municipally operated, is seasonal, and very small in size and operating budget. As such, it does not have the same issues so will not be included in any further discussions and analysis of this report. The remaining portfolio all play host to a variety of events, both large and small. The Metro Centre relationship agreement and governance is being reviewed further under a separate exercise. The Forum and Alderney Landing have similar issues to the Category 2 facilities and require further study.

HRM multi-district and other facilities have experienced a variety of challenges. Issues and symptoms experienced by HRM and these facilities include (but are not limited to):

- Unmet funding requests (capital & operating)
- 100% cost recovery expectation
- Support for Board recruitment and Board development
- Clarity of facility mandate / conflicts between expectations and funding
- Facility condition – outstanding facility condition assessments
- Management agreement compliance and inconsistency across facilities
- Information availability / Reporting

The April 28<sup>th</sup> motion identified a number of specific areas of concern and in response staff sought assistance to lay the ground work to clarify what needs to be done first – what are the most significant key problems facing MDF's in particular and others more generally, and which ones need to be addressed first. The attached report represents a starting point and preparatory step in the response to concerns expressed in recent months and years as well as the April 28<sup>th</sup> motion.

**Recent studies:**

Recent Facility Recapitalization Studies

The recent studies of the needs and conditions of the Dartmouth Sportsplex and the Halifax Forum arose from recommendations of the Community Facility Master Plan. The findings of these reports were recently presented to Regional Council and referred to the Standing Committee for further discussion. The studies recommended significant reinvestment in these facilities which is currently not included in the multi-year project plan.

Recreation Service Review

Council approved the undertaking of a Recreation Service Review that has been underway for the past 9 months and scheduled for completion later this fall. It does not include a review of Board operated facilities. The Review will touch on the support program initiated several years ago to assist the smaller Category 1 Community Centres, as there is a stronger staff role and performance outcome exercise in place. HRM's Community Recreation Services tends to be a more introductory level service provider and gap filler whereas the multi-district facilities may provide some introductory services but also provide programs requiring more sophisticated instruction or bigger market draw.

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Auditor General's Report - A Review of Concerts on the North Common

Section 9.0 of the report discusses a Phase 2 with several additional reviews. This is not one of the principal 52 recommendations but presented for future follow-up. It suggests there is a need for stronger governance structure and improved oversight of Board operated facilities in general. It notes HRM has a number of facilities under management agreements and although work has been carried out on the smaller Category 1 Community Centres, it notes the same level of activity and review has not been undertaken of existing agreements for the larger facilities and states these should be reviewed sooner, given the higher level of potential risk.

## **DISCUSSION**

The multi-district and event facilities represent a significant investment in infrastructure providing a wide range of activities to citizens of HRM. The number and complexity of issues has created significant challenges in making progress to resolve these many issues.

The attached report was sought to define a clean starting point to respond to concerns about HRM recreation facilities and to define and prioritize the key problems and propose an approach to proceed.

The findings of the report are that there are three key challenges facing *Multi-District Facilities*, identified as:

**Problem #1:** The absence of **effective accountability** within HRM *Multi-District Facilities*.

**Problem #2:** The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*. (*Note: As mentioned in the consultants report, the annual information report on the financial performance of MDF's was last provided to Council for the 08/09 fiscal year. The 10/11 report will follow within the next month; any financial items to be addressed will be done at that time.*)

**Problem #3: Lack of alignment** between 1) community and HRM program expectations; 2) facility mandates; and 3) facility and program funding as it relates to *Multi-District Facilities*.

The proposed approach to address these problems breaks the work into two phases, focussing on accountability and reporting work in Phase 1 as the necessary preparation for the alignment work in Phase 2. A draft project charter is included in the report recommending the proposed timing, the team, assumptions and objectives.

One of the most significant aspects of the current situation is that previous studies and plans have already examined the issues in detail. Extensive recommendations have been made. Therefore two things are needed now – a clean starting point that addresses immediate critical issues, and a plan to coordinate the work already done along with existing study recommendations so that work can get underway.

## **BUDGET IMPLICATIONS**

Resources are being spent in these areas now. There will be no incremental cost as the project will be carried out with existing budget resources. Any additional resources required will be as per our Budget and Business Plan process.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

The recommendations in this report will improve the overall compliance of MDF's with HRM management agreements and with existing policy.

**COMMUNITY ENGAGEMENT**

There has been extensive community and facility engagement in the previous studies and master plans. As the alignment piece moves from recommendations to implementation, communities and facilities will be involved.

**ALTERNATIVES**

Council could continue addressing these matters on an ad hoc basis. This is not recommended.

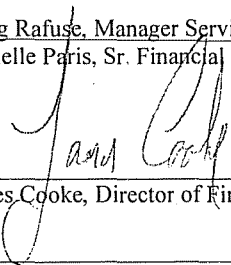
**ATTACHMENTS**

Appendix A – HRM Multi-District Facility Priority Project report dated September 12, 2011

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Financial Approval by:   
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# Halifax Regional Municipality **Multi-District Facility Priority Project**

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## EXECUTIVE SUMMARY / KEY FINDINGS

There are four Categories of HRM Recreation Facilities - Category 1, Community; Category 2, Multi-District; Category 3, Sport; Category 4, Event. A variety of master plans, studies and reports have been completed in recent years. This report was initiated by the CAO and DCAO to assess the situation with Multi-District Facilities (MDF) in particular and to provide a clear and focused starting point to address the issues being experienced by HRM and facilities.

Most MDF's have or have started to experience operating deficits, together totalling more than \$750K annually as at 2010/11. Considerable long term financial obligations exist, several without repayment plans in place. Management agreements are not consistent; there is non-compliance with reporting terms in the agreement and limited if any consequences. There is an ongoing unresolved question within HRM about the appropriate governance model for MDF's. Based on the findings of previous studies and reviews, challenges exist with the alignment of HRM's desired outcomes, funding and facility mandates. Of the 59 recommendations from the 2008 Community Facility Master Plan, 19 relate to the facilities examined in this report and 14 of those remain outstanding.

The three key problems facing *Multi-District Facilities* have been identified as:

**Problem #1:** The absence of **effective accountability** within HRM *Multi-District Facilities*<sup>1</sup>.

**Problem #2:** The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

**Problem #3:** **Lack of alignment** between 1) community and HRM program expectations; 2) facility mandates; and 3) facility and program funding as it relates to *Multi-District Facilities*.

Ultimately HRM needs to better deliver on desired outcomes. This will come from putting the necessary accountability and reporting in place and aligning facility mandates and funding with community and HRM program expectations over time.

The proposed approach to address these problems breaks the work into two phases, focusing on basic accountability and reporting work in Phase 1, as the necessary preparation for the alignment work in Phase 2. A draft project charter has been prepared to detail the proposed timing, the team, assumptions and objectives.

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<sup>1</sup> *Multi-District Facilities in italics above in this report refers to the eight facilities that are the subject of this report, specifically the 5 Multi-District Facilities (CGC, CHP, DSS, SSS, SMC) and 3 other facilities (Alderney Landing, Centennial Pool & Halifax Forum).*



## BACKGROUND

Halifax Regional Municipality owns a large and varied portfolio of facilities that support the many communities within its boundaries. HRM's facilities support services delivered and operated by both the municipality and by community volunteers and boards. This report addresses issues with a number of facilities that are part of the 68 HRM recreation facilities and focuses primarily on the Category 2<sup>2</sup> Multi-District facilities (MDF).

Facilities in the four recreation facility categories (summarized below and in Appendix 1) represent assets with an estimated replacement value of over a half billion dollars, annual operating budgets of \$40 million and nearly 2 million square feet of total space.

**TABLE 1 - HRM Recreation Facility Summary (2010/11)<sup>3</sup>**

Category Number	Category Descriptor	Total #	Board Operated	Municipal Operated	Total Operating Exp. (\$) <sup>3</sup>	Total Sq. ft.	Total Replacement Value (\$)
1	Community Centres	47	25	22	\$11.4M	620,000	\$175M
2	Multi District	5	4	1	\$17.9M	660,000	\$181M
3	Indoor Sports	12	7	5	\$ 5.2M	390,000	\$104M
4	Events	4	3	1	\$10.9M	312,000	\$ 93M
Total		68	39	29	\$45.4M	1,982,000	\$553M

There has been several studies and examination into HRM recreation facilities and their use, but there remains a significant concern within the facilities (regarding adequacy of operating funding and capital renewal); in communities (with regard to how well facilities meet their needs); and overall (regarding how well facilities are positioned to meet HRM's stated service and program outcomes).

As noted above, HRM Multi-District facilities have experienced challenges over the years including in the areas of governance, funding, and alignment of mandates with HRM goals. Some facilities have experienced difficulty fund-raising and for that and other reasons some have either started to incur operating and capital deficits or have seen deficits increase.

In recent years attention has been turned to address these issues. Two facility master plans, multiple facility studies and Recreation Service Review phase 1 have been completed, although

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<sup>2</sup> Canada Games Centre, Cole Harbour Place, Dartmouth Sportsplex, Sackville Sports Stadium, St. Margaret's Centre

<sup>3</sup> Source: HRM staff – all operating amounts are actuals except where unavailable in some Cat. 1 facilities. In those cases annual budget exp. were used. Annual budget exp. were used for Cda Games & BMO Centres for consistency with other full year amounts.

the latter has not yet been presented to Council for review and approval. In 2004 an Indoor Recreation Facilities Master Plan (IRFMP) was completed. In 2005 the Regional Plan introduced principles to guide development and settlement patterns to maximize existing and planned investments in infrastructure. In 2008, a Community Facility Master Plan (CFMP) was completed which served in many ways to consolidate previous studies, findings and recommendations and to integrate previous work into the life of HRM at that time.

The CFMP integrated previous and new research with key HRM strategic documents, including, but not limited to, the Regional Plan, Economic Development Strategy and the Recreation Blueprint. In 2010, subsequent to the CFMP, there were a number of facility studies completed including studies on the Dartmouth Sportsplex, Halifax Forum and a Peninsula Recreation Facility & Service Review.

There has been much interest around aligning HRM outcomes with funding and aligning community needs with assets. There has also been rapid growth. The size of the HRM owned recreation facility portfolio grew considerably in the 7 years after the Indoor Recreation Master Plan was completed. All of the indoor facility capital projects outlined in the CFMP have been completed.

#### SCOPE of WORK and APPROACH

In response to concerns raised during the 2011/12 budget debates a motion was approved to have staff examine the issues from a broader perspective than facility by facility.

In April 2011 Regional Council approved the following motion:

*MOVED by Councillor Watts, seconded by Councillor Sloane, that Halifax Regional Council request a staff report outlining the proposed plan around proposal for indoor facilities, community facilities, role of the multi-district facilities and identify future budget implications for HRM.*

This report is a first organizing step - a preparatory step to respond to the April 28<sup>th</sup> motion. By identifying and prioritizing the issues facing HRM's management of the recreation facility portfolio, the report is designed to bring clarity to staff's existing efforts to support facilities and discharge their responsibilities. HRM staff, Councillors and community volunteers are all working hard to make the most of the assets under their control. A common theme in reviewing the current situation is the need to coordinate these efforts and to create more impact from all the work – to be more purposeful and systematic and less ad hoc.

The CAO and DCAO directed that assistance be sought to bring clarity and focus to this effort. This report will:

- 1) Declare the current situation
- 2) Define the key problems
- 3) Recommend an approach to address key problems and create a viable foundation for the activation and implementation of the alignment work

**Facilities specifically included in the scope of this report are:**

All HRM Category 2 Multi-District Facilities (MDF) (see list below) as well as three other facilities where HRM is experiencing similar issues as those being experienced around the MDF's and requested that they be included in the initial scope.

Canada Games Centre (Cat. 2–MDF)  
Cole Harbour Place (Cat. 2-MDF)  
Dartmouth Sportsplex (Cat.2-MDF)  
Sackville Sports Stadium (Cat.2-MDF)  
St. Margaret's Centre (Cat.2-MDF)

Centennial Pool (Cat.3-Indoor Sport Facilities)  
Alderney Landing (Cat.4-Event Facilities)  
Halifax Forum (Cat.4-Event Facilities)

These eight facilities together represent 39% of the total square footage, 42% of the estimated replacement value, and 51% of the annual operating budgets of the HRM recreation facility portfolio.

**Other facilities**

As noted earlier the primary focus of this report is the Multi-District Facilities. The three other facilities were added to the initial scope because staff identified issues they wanted examined at the same time. All of the eight facilities included in the report scope were assessed in developing the problem statements. After the problem statements were developed, indicators (see Appendix 6) were created and the eight facilities were assessed against those indicators. Category 1 Community facilities were assessed as a whole to determine whether the key problems identified also applied to them. It must be noted that Category 1 facilities include three new facilities<sup>4</sup> that are not a part of the facility lease agreement (FLA) initiative.

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<sup>4</sup> Gordon R. Snow, Fall River; East Dartmouth; Prospect Road Community Centre

The Metro Centre, which is not part of the report scope, was assessed by the Municipal Auditor General and the findings and related recommendations are in the report “**A REVIEW OF CONCERTS HELD ON THE NORTH COMMON – JANUARY 2006 TO MARCH 2011. JUNE 2011**”.

The CAO has appointed a staff team to coordinate all current Auditor General (OAG) recommendations. The staff team is called the Audit Coordination Team or ACT. Meetings were held with the CAO’s Audit Coordination Team to apprise them of this project and to ensure that these recommendations take into account and coordinate with their work.

The remaining HRM indoor recreation facilities (Category 3 and 4) are addressed in the report recommendations.

### **Documents**

All relevant documents were examined, including existing management agreements, studies and their recommendations as well as the Council reports and the budget documents relating to MDF’s and related issues. A list of documents reviewed is included in Appendix 2.

HRM managers and staff, including the members of the project team provided valuable support and perspective to this work.

### **CURRENT SITUATION**

Previous studies including the CFMP, IRFMP and the Recreation Service Review Phase 1 Report completed this summer, have identified a lack of alignment between 1) community and HRM expectations; 2) facility mandates; and 3) funding. Facility mandates are not well aligned with the outcomes HRM has defined nor are they aligned with their funding. In addition, funding is inconsistently provided across facilities. This misalignment is the most noticeable, outcomes-based problem facing Multi-District facilities.

Management agreements for several of the Category 2 MDF’s date back to 1998. The current terms of the agreements are substantially the same as the original agreements. Some revisions have been made to individual terms within particular facility agreements but this has not been part of a consistent Management Agreement template revision.

Over the years there has been debate around the best and most effective governance and management approach to take with the regional facilities in particular. There has been and remains strong support for community board managed facilities. As some facilities faced

financial and other issues, some of the Category 2 facilities have come under what is intended to be temporary HRM management. Resolving the question of the preferred and most appropriate management and governance model has been a factor in slowing the overall updating of management agreements in Multi-District, Sport and Event Categories (2 through 4). There has been more clarity about governance and management models for the Category 1, Community Facilities (confirming the community board model for this group) and an initiative over the past several years has put new Facility Lease Agreements (FLA's) in place. In the new Canada Games Centre, Multi-District Facility, one result of this ongoing discussion is that no management agreement is currently in place. A memorandum of understanding (MOU) has been drafted now and the Board of the Canada Games Centre and HRM staff are working to get an agreement in place.

In Categories 2 through 4 there are inconsistencies across management agreements. In the eight facilities examined, there is significant non-compliance with the terms of the management agreements, particularly around regular reporting. Most of these management agreements require quarterly reports to be provided to HRM by facilities. Most MDF's provide annual reporting at best. Expectations of Multi-District facilities in terms of reporting (i.e.: which reports, how frequent, implications of non-compliance or variances) are limited and informal. There are unclear expectations for the HRM staff who examine the reports in terms of what they should be looking for beyond basic operating / deficit information and what course of action should be taken to address any findings.

The result of the management agreement inconsistencies and limited reporting is that there are no real or consistent consequences when Multi-District Facilities do not meet even annual reporting expectations in a timely manner. The relationship between HRM and MDF's and most of the Indoor Sport and Event facilities is ad hoc and managed facility by facility. A common management approach to support HRM's oversight role or to ensure HRM's broad strategic objectives are met is lacking. The responsibility for setting out reporting requirements, reviewing reports and ensuring facilities comply with those requirements rests with HRM, not with the facilities. There are areas where facilities can improve their efforts in reporting to HRM but the critical gaps observed are in HRM's direction to facilities and expectations regarding reporting and the related follow-up and response.

An overview of key financial and administrative conditions for the eight facilities in this report scope is provided in Appendix 4. A summary of this information is provided in Table 2 below. This report looked at three aspects of the overall financial and management situation – 1) operating results; 2) debt and other obligations; and 3) outstanding Council approvals. Each facility was assessed in each of these areas and assigned a colour code ranging from green

through amber to red. Only three of the eight facilities were coded as green – Cole Harbour Place, St. Margaret's Centre and the Halifax Forum. Five of the eight facilities were either amber or red. It is important to note that a facility with a positive financial situation may still have serious alignment issues related to mandate, outcomes and funding support. Requests for facility expansion or significant renewal over the next three years exceed \$50 million.

**Table 2 – Summary: financial & administration conditions / issues (2010)**

Facility	Current	Trend
<b>Multi-District Facilities</b>		
Canada Games Centre		
Cole Harbour Place		
Dartmouth Sportsplex		
Sackville Sports Stadium		
St. Margaret's Centre		
<b>Other</b>		
Alderney Landing		
Centennial Pool		
Halifax Forum		

**Key:**

<b>Positive or stable results; no immediate approvals outstanding</b>
<b>Mixed results or small deficits beginning to occur; major issues on the horizon</b>
<b>Negative results or trend, significant deficits or outstanding debt; immediate approvals outstanding</b>

Total outstanding financial obligations without payment or fund-raising plans exceed \$8 million for three facilities (Sackville Sports Stadium, Canada Games Centre and Alderney Landing) alone. Some facilities are facing new or growing deficits, which, combined, exceed three quarters of a million annually (2010/11).

Outstanding financial obligations exist across the eight facilities and have their origins as follows:

- 1) Original capital or expansion commitments made to HRM that were to be funded through facility operations or fund-raising efforts.**

#### Sackville Sports Stadium - major expansion in 1995 and 1999

- Requested HRM serve as the bank to access attractive interest rates.
- 20 year debt service plan was created in 200 for expansion. A handful of payments were made over the years but the overall financial situation left the facility with insufficient revenue to cover the debt.
- No repayment plan is in place currently.

#### In 1999 Alderney Landing requested assistance of \$870K to complete the facility

- Amount was to be repaid with interest through a fund-raising campaign.
- Another \$574K in cost over-runs was included in the fund-raising campaign, to bring the total amount to be raised to \$1.44 million.
- The capital campaign raised \$455K, net \$393K repaid. Balance owing \$1.05M
- No repayment plan is in place currently.

#### Cole Harbour Place

- 2000 new Lifestyle Centre cost \$2M; HRM financed \$1.5M
- CHP repayments \$150K annually; Balance owing \$877K
- 2005 leasehold improvements \$450K, loan from HRM
- Balance owing \$272K

#### Canada Games Centre - Completed in 2011

- Capital cost included \$2 million to be fund-raised
- No fund-raising campaign underway to date, facility opened April 2011

#### St. Margaret's Centre - 2004 \$8 million Capital expansion –

- Centre was advanced loan for its portion by HRM for \$2.965M
- Loan was converted to an area rate to repay over 20 years
- Balance owing \$2.372M

#### Halifax Forum

- 2002/3 Bingo Hall \$1.75M
- HRM debenture for 20 years. Forum repaying in full
- Balance owing \$1.313M

#### Dartmouth Sportsplex

- 1998 Renovations \$1.53M
- Original repayment schedule \$181K / year – revised in 2005 to \$75K
- Balance owing \$215K

## **2) Current accumulated operating deficits**

### Dartmouth Sportsplex

- \$1.6M payroll balance outstanding to HRM which provides payroll service
- Cash flow issue linked in large part to operating deficits in the past 3 years.

### Alderney Landing

- Annual operating deficits (\$203K in 10/11) mostly offset by annual operating subsidy.

## **3) Loans extended by HRM or deficits incurred following operating disruptions (due to capital works or Canada Games)**

### St. Margaret's Centre

- \$130K loan from HRM to cover shut-down to expand rink for Canada Games
- Balance owing \$120K
- 2011 cash flow loan \$125K maximum approved - \$100K accessed to date

### Centennial Pool

- Existing capital work – project completion dates extended
- Pool has advised will result in operating deficit \$76K to \$186K
- No funds included in capital project for disruptions

HRM will need to develop repayment plans and to ensure fund-raising plans are in place for outstanding amounts that have no plans at present. In addition, the policy associated with capital projects which disrupt facility revenue should be examined for consistency and budget alignment.

In contrast to the Multi-District (Category 2) and other Facilities in Categories 3 and 4, Category 1-Community Facilities (excluding the three new ones) are operating under relatively new Facility Lease Agreements (FLA's) and have a management reporting template that lays out exactly what is expected for quarterly reporting requirements. This is the result of a significant staff project undertaken across multiple business units including legal, community development and finance. This initiative brought reporting consistency and improved oversight to the Category 1 facilities. One of the biggest differences between the Category 1 facilities and the Category 2 and others is that there is a dedicated staff resource with a clearly defined role



related to reporting. With this position focused by clear direction and HRM's expectations documented and communicated, this position is able to provide those expectations to the facilities and to follow-up when they do not comply. With the Category 1 facilities, HRM knows what it expects and has assembled itself to see that it happens. In the other facilities it takes considerable effort to get basic information and to assemble and analyze it.

As the owner of the facilities, HRM is responsible for putting processes in place to provide direction to staff and to manage and safeguard assets regardless of the governance model. In the case of Category 1 facilities, whatever other issues there might be, these basic supports have been put in place. This is not the case for Category 2 Multi-District Facilities and all indications are that the same is true for the remaining facilities in Categories 3 and 4.

It is interesting to note that these supports are in place for Category 1 but not in the other Categories. HRM's investment is far greater in the Category 2 and other facilities than in the Category 1 facilities. In fact the eight facilities examined in this report represent 51% of the annual operating budgets of all HRM indoor recreation facilities. In terms of the total number of facilities, Category 1 is the majority at 69%. However, these facilities represent less than one third of the replacement value and square footage of HRM's recreation facilities and less than one quarter of the annual operating budget of the recreation facilities. Although they do not represent a majority of the financial or square footage of HRM's recreation facilities, it is likely that they have a disproportionately large impact in their respective communities. Category 1 facilities are often critical facility assets in their small communities. This may explain why the effort inside HRM to date has been to put in place the basic due diligence and operating support needed to manage the Category 1 assets. Regardless of the reasons for priorities in the past, the time has come to ensure that HRM can exercise appropriate due diligence over the Multi-District and other facilities.

Achieving alignment between HRM's desired outcomes, facility mandates, funding and fee structures, is a complex undertaking. It requires quality information and clear roles and responsibilities as the basis for this work. Reliable information must be readily available on facility operations, condition and financial obligations, individually as well as by category. It is not.

## KEY PROBLEMS

In identifying and ranking the key problems the report has used the COSO Internal Control Framework<sup>5</sup> as the basis for prioritizing the symptoms, issues and concerns affecting the facilities examined. COSO describes the fundamental and essential objectives of any business or government entity as:

1. **economy and efficiency of operations including**
  - a) **safeguarding of assets and**
  - b) **achievement of desired outcomes;**
2. **reliability of financial and management reports; and**
3. **compliance with laws and regulations.**

Other than the 3<sup>rd</sup> objective related to compliance with laws and regulations, these objectives are not being met or cannot be measured for the facilities that are the subject of this report.

Indicators were developed for each of the three problem statements to measure the degree of the problem. Each facility in the report scope was assessed against the indicators and the results are included in Appendix 6.

**Problem #1:** The absence of **effective accountability** within HRM *Multi-District Facilities*.

While senior management accountability for HRM Multi-District Facilities appears clear, residing with the Community Development business unit, it is not clear that the business unit was held accountable by Executive Management for meeting corporate expectations or for implementing core recommendations from previous studies. While several explanations have been offered it should be noted that until the 2011/12 Business Plan and Budget documents there is no indication that the implications of non-action were explained and declared to Council. As a result the organization could not assess the related risks and make informed decisions about how best to proceed.

**Problem #2:** The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

The ability to make informed decisions and to manage risks is limited due to the absence of management and financial information to support HRM staff requirements related to the oversight role.

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<sup>5</sup> **1992 COSO Report: Internal Control – An Integrated Framework** from [http://www.sox-online.com/coso\\_cobit\\_coso\\_framework.html](http://www.sox-online.com/coso_cobit_coso_framework.html) August 2, 2011 8:40 am

Unlike Category 1 Community facilities (excluding new ones), HRM has no consistent reporting expectation for the Multi-District Facilities and no framework to define which reports are expected and when. Facility financial results are examined once a year by HRM staff but when variances occur or results are slow in coming, there is no clear understanding within HRM of what staff is to do with the reports and what actions should be taken or by whom. There is a planned annual report to Council on the financial performance of major facilities. This report was last provided for the 2008/09 fiscal year.

**Problem #3: Lack of alignment** between 1) community and HRM program expectations; 2) facility mandates; and 3) facility and program funding as it relates to *Multi-District Facilities*.

Once the basic accountability, reporting and management systems are in place, the information needed to fully support the achievement of desired outcomes can be addressed. Alignment issues have been identified and recommendations made to address these issues in a number of previous studies and reports. Therefore much of the alignment work has been examined and what remains is to plan and implement the recommendations after Council debate of the issues. These recommendations stem from the CFMP, the proposed Recreation Service Review Phase 1 and from the recent Municipal Auditor General report on the Concerts on the Commons.

Problems 1 and 2 must be addressed first in order to successfully implement the recommendations made to date regarding alignment. HRM cannot successfully engage in a process to address the misalignment between program outcomes, facility mandates and facility funding, when basic accountability and management processes are not in place. Given that there are two substantial capital amounts owing without a repayment plan, creating an equitable plan for repayment should be incorporated as an HRM outcome as part of the Problem 3 alignment work.

For the most part, Boards, managers and Councillors are naturally more aware of alignment issues than they would be of accountability and reporting gaps. But problems 1 (accountability) and 2 (reporting) are foundation issues and represent management's minimum responsibilities. Regardless of the alignment issues that exist, HRM has a responsibility to appropriately safeguard assets and ensure reliable financial and management reporting exists. The proposed approach to resolve these problems reflects the need to address the foundation issues first.

### **Category 1 – Community Facilities**

The report scope required that after the problem statements were determined for Multi-District Facilities, Category 1 facilities be assessed to determine if these key problems applied in the same priority.

With regard to Problem #1 and accountability, these issues were systemic and at a senior level and therefore existed for these facilities as well. Basic accountability at the service delivery and front line management level is defined and resources are aligned to support it. Issues do come up across business units that would benefit from a service level agreement however, the core accountability is defined.

Category 1 facilities are much further along than the others with the management and financial reporting issues identified in Problem #2. There is a reporting template and facilities provide quarterly information to HRM that is examined by an HRM staff person and followed up. There is no program reporting process for any of the facilities including those in Category 1.

Problem #3, related to alignment, affects this category as well, mainly because these issues are systemic and affect all HRM owned recreation facilities.

## RECOMMENDED SOLUTIONS and APPROACH

The solutions to the three key problems fall into two distinct phases.

### **PHASE 1 – DUE DILIGENCE – Putting the basics in place**

**Problem #1:** The absence of **effective accountability** within HRM for *Multi-District Facilities*<sup>6</sup>.

**Problem #2:** The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

**Restating the two problems into clear measureable goals begins the definition of the solution.**

**Goal #1** – Effective **accountability** is established within HRM for *Multi-District Facilities*.

**Goal #2** – Adequate **reporting and management processes** are in place to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

### **PHASE 2 – ALIGNMENT – Everyone working to the same clear outcomes**

**Problem #3:** **Lack of alignment** between 1) community and HRM program expectations; 2) facility mandates; and 3) facility and program funding as it relates to *Multi-District Facilities*.

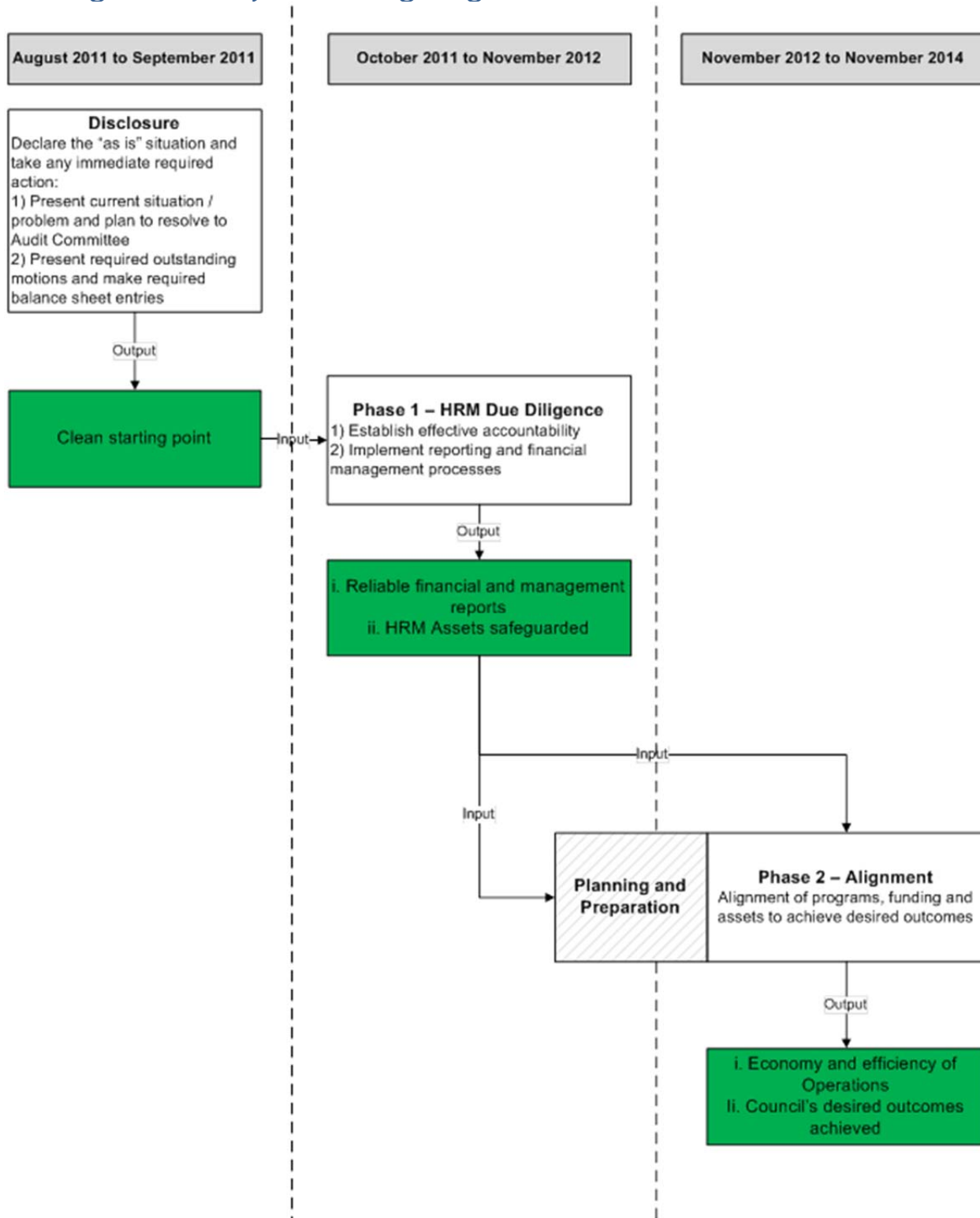
**Goal #3 – Alignment** exists between i) community and HRM program expectations; ii) facility mandates; and iii) facility & program funding.

On the following page the two phases of the project are shown along with specific outcomes in a high level phasing diagram. A proposed Project Charter has been created and reflects project risks, governance structure and communication along with objectives for each goal. The Project Charter is contained in Appendix 5.

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<sup>6</sup> *Multi-District Facilities in italics above in this report refers to the eight facilities that are the subject of this report, specifically the 5 Multi-District Facilities (CGC, CHP, DSS, SSS, SMC) and 3 other facilities (Alderney Landing, Centennial Pool & Halifax Forum).*

**Figure 1 – Project Phasing Diagram**



## RECOMMENDATIONS

It is recommended that the Audit and Finance Standing Committee approve:

- 1) The key problem statements as they relate to the facilities examined in this report:
  - i. The absence of **effective accountability** within HRM for *Multi-District Facilities*<sup>7</sup>.
  - ii. The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.
  - iii. **Lack of alignment** between 1) community and HRM program expectations; 2) facility mandates; and 3) facility and program funding as it relates to *Multi-District Facilities*.
- 2) The proposed two phased approach to resolve the key problems in recommendation #1, as outlined in the proposed Project Charter (Appendix 5).
- 3) That HRM staff be directed to complete the Indicators (Appendix 6) for the remaining Category 3 and 4 facilities to determine whether they should be included in the Phase 1 project plan.
- 4) That until basic accountability and reporting processes are in place (as a result of the work in phase 1 of the proposed project charter) that no new facilities are constructed and no major capital expansion approved in any HRM owned recreation facility. Further, that no new subsidies or significant changes to existing subsidies be approved with a term of more than one year, until sufficient improvements have been achieved in accountability and reporting pursuant to Phase 1 of the proposed project charter. *[It is expected this will take at least 9 months (or 3 reporting period quarters). (This does not relate to normal operations or regular capital reinvestments.)]*
- 5) That, as part of Phase 2 (alignment), HRM repayment plans be developed for any outstanding capital or operating amounts owing from *Multi-District Facilities* where no repayment plans exist at that time. Repayment plans should be in place by no later than November 2013, within one year of the start of phase 2. This does not preclude repayment plans being developed earlier.

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<sup>7</sup> *Multi-District Facilities in italics above in this report refers to the eight facilities that are the subject of this report, specifically the 5 Multi-District Facilities (CGC, CHP, DSS, SSS, SMC) and 3 other facilities (Alderney Landing, Centennial Pool & Halifax Forum).*

## APPENDICIES

1. HRM Recreation Facility Master List
2. Document list
3. Community Facility Master Plan Recommendation Status and link to project charter
4. Summary Financial and Management Condition by facility
5. Proposed Project Charter
6. Problem statement Indicators



# APPENDIX 1 - Facility List<sup>1</sup>

Facility Type	HRM Operated	Partnership & Community Board Operated
<b>Category 1</b> <b>Neighbourhood /</b> <b>Community Centres</b>		
	Acadia Centre (Sackville)	The Bay Community Centre (Head of St Margaret's Bay)
	Adventure Earth Centre	Beaver Bank Kinsac Community Centre <sup>3</sup>
	Bloomfield Centre	Bicentennial Theatre & Community Centre
	Lakeside Community Centre (BLT)	Carroll's Corner Community Centre
		Cole Harbour Outdoor Pool and Tennis Courts
	Capt. William Spry Community Centre	
	Citadel Community Centre <sup>2</sup>	East Dartmouth Community Centre
	Chocolate Lake Community Centre	East Preston Recreation Centre
	Cole Harbour Recreation Office <sup>2</sup>	Harrietsfield Williamswood Community Centre
	Dartmouth North Community Centre	Lake Echo Community Centre
		Meaghers Grant Recreation Hall
	Findlay Community Centre	Moser River Community Hall
	George Dixon Centre	Northbrook Community Centre
	Gordon R. Snow Community Centre (new - replaced old Fall River Rec. Centre)	North Woodside Community Centre
	Hubbards Recreation Centre	Porter's Lake Community Centre
	Isleville St. Community Centre	Riverline Community Centre
	J. Gerald Lebrun Centre & Arena	Rockingham Community Centre
	Larry O'Connell Centre	Sackville Heights Community Centre
	Needham Centre	Samuel R. Balcom Community Centre (Three Harbour)
	North Preston Recreation Centre	Sheet Harbour Community Centre
	Northcliffe Centre <sup>5</sup>	Springfield Lake Community Centre
		Ste. Therése Community Centre (WC/GD)
	St. Andrews Community Centre	Upper Sackville Community Centre (Weir Field)
	Seaside Fitness Centre <sup>2</sup>	Upper Hammonds Plains Community Centre
	Tallahassee Recreation Centre <sup>2</sup>	Wallace Lucas Community Centre
		Prospect Community Centre

<sup>1</sup> Source: HRM Community Development staff

Facility Type	HRM Operated	Partnership & Community Board Operated
<b>Category 2</b> Multi - Use Multi Purpose		
	Sackville Sports Stadium <sup>1</sup>	Cole Harbour Place
		Dartmouth Sportsplex
		St. Margaret's Community Centre
		Canada Games Centre
<b>Category 3</b> Sports Facilities Arenas		
		BMO Centre - 4-Pad Arena Complex <sup>4</sup>
	Bowles Arena	
	Devonshire Arena	Centennial Arena
	Gray Arena	Centennial Pool
	Musquodoboit Harbour Fitness & Lifestyle Centre	Eastern Shore Community Centre & Arena
	St. Mary's Boat Club	Oakwood House
		Spryfield Lions Arena
		1690 Bell Road (Bengal Lancers)
<b>Category 4</b> Events Facilities		
	The Pavilion (Commons)	Alderney Landing
		Halifax Forum Complex
		Metro Centre

**Note** - List does not include any cultural and heritage owned facilities, HRSB partnership agreements, outdoor sports facilities

**1** - Interim management. Council motion to return to Board Governance once financial restabilization plan completed.

**2** - Leased Facility

**3** – Under reconstruction after fire

**4** - Operated & managed by private company under a 20 year operating agreement

**5** – Now closed as of April 2011 following the opening of the Canada Games Centre

## Summary

Facility Type	HRM Operated Totals	Community Board Operated Totals	Totals
<b>Category 1</b>	22	25	47
<b>Category 2</b>	1	4	5
<b>Category 3</b>	5	7	12
<b>Category 4</b>	1	3	4

## Appendix 2 – Document List

	Document/Information Reviewed
1	Indoor Recreation Facility Master Plan (IRF)
2	Community Facility Master Plan (CFMP)
3	Recreation Service Review (draft)
4	HRM Council reports regarding various Multi-District facilities
5	April 28, 2011 Regional Council Motion
6	Types of Existing Agreements (MDF)
7	Recreation Blueprint
8	Other facility studies <ul style="list-style-type: none"><li>- Dartmouth Sportsplex Study</li><li>- Halifax Forum Analysis</li><li>- Peninsula Study</li></ul>
9	Board governance tool
10	5 year facility re-capitalization plan
11	Facility diagnostic tool (Vancouver)
12	Facility information table (including board and management contacts)

### APPENDIX 3 - Community Facility Master Plan 2008, Status and Link to Project Charter

#### **Problem 1 - The absence of effective accountability within HRM for Multi-District Facilities**

Outstanding Recommendations		Project Charter
<b>1</b>	That HRM appoint a senior staff as "Implementation Champion" immediately upon acceptance of this plan with full responsibility for coordinating the implementation of all 2008 recommendations. That a detailed implementation plan and strategy be developed within six months of acceptance of this plan. That HRM support an annual review of the CFMP and conduct more extensive updating of the document within a five year time frame	Addressed in Accountabilities and Team Structure and developed of detailed project plan

#### **Problem 2 - The absence of adequate reporting and management processes to support informed decision making and HRM oversight requirements related to Multi-District Facilities.**

Outstanding Recommendations		Project Charter
<b>1</b>	That HRM appoint a senior staff as "Implementation Champion" immediately upon acceptance of this plan with full responsibility for coordinating the implementation of all 2008 recommendations. That a detailed implementation plan and strategy be developed within six months of acceptance of this plan. That HRM support an annual review of the CFMP and conduct more extensive updating of the document within a five year time frame	Addressed in Accountabilities and Team Structure. DCAO is project sponsor and Committees of Council are Project Champion.
<b>2</b>	That HRM appoint a full time engineer for Community Recreation Services to address the facility condition assessment backlog	To be addressed through Objective 2.5
<b>4</b>	That HRM conduct a Facility Condition Index Service Provision Assessment (FCSPA) of its infrastructure	To be addressed through Objective 2.5
<b>55</b>	That HRM implement changes to their accounting and record keeping systems to provide detailed cost accounting and attendance tracking for all community recreation facilities.	To be addressed through Objective 2.1 & 2.2

#### **Problem 3 - Lack of alignment between 1) community and HRM program expectations; 2) facility mandates; and 3) facility & program funding**

Outstanding Recommendations		Project Charter
<b>4</b>	That HRM adopt a "managed care" approach to HRM recreation facility infrastructure	To be addressed through Objective 3.1 & 3.3
<b>11</b>	That HRM contract a consultant or designate internal personnel to research and develop streamlined policies, methodologies, structures, training and reporting mechanisms that better enable Community Boards to function as Recreational Social Entrepreneurs. Thereafter the report should be presented to Municipal Council to receive sanctioning for resource involvement.	To be addressed through Objective 3.4
<b>12</b>	That HRM approve a project to research, develop and implement policies, methodologies, structures and financial resources to foster the creation of a Network of Community Boards to nurture and develop Community Boards entrusted with the responsibility of operating HRM facilities.	To be addressed through Objective 3.4

Note: Only the recommendations pertaining to the facilities within the scope of this project, were included.

### APPENDIX 3 - Community Facility Master Plan 2008, Status and Link to Project Charter

#### **Problem 3 - Lack of alignment between 1) community and HRM program expectations; 2) facility mandates; and 3) facility & program funding**

Outstanding Recommendations		Project Charter
14	That after commencement of the Strengthening Community Boards and Network of Community projects a related project be commissioned to review service overlap, duplication and competition between municipally operated facilities and Community Board operated facilities. A key outcome of this effort will be to determine reasonable financial contributions for both municipally operated and Community Board operated facilities. That a report be completed to establish standardized criteria for the desired level of public subsidy for each facility category including both municipally operated and Community board operated. As part of this review, a recommendation should be made regarding the most appropriate management model for East Dartmouth and Gordon R Snow Community Centres.	To be addressed through Objective 3.3 & 3.4
15	That goals for operating with cost recovery be identified for municipally operated facilities.	To be addressed through Objective 3.3
16	That the Recreation Blueprint endorses CRS' emphasis on the role of Program Facilitator or Enabler for Community Centres and Multi-District Hub Facilities.	To be addressed through Objective 3.1
29	That each Community Board operated community centre be aligned with the most appropriate Multi-District Hub facility and encouraged to develop mutually beneficial relationships that enhance operations of each facility.	To be addressed through Objective 3.2
30	That HRM ensure efforts are undertaken to return the operation of Sackville Sports Stadium to a Community Board....	To be addressed through Objective 3.2, 3.3 & 3.4
38	That research on the feasibility of consolidating community centres be undertaken. The rationale for possible consolidation is excessive market segment overlap with neighbouring facilities, inadequacy of facility size, facility age and	To be addressed through Objective 3.3
48	That upon completion of the feasibility study for consolidation of Community Centres, construction of two consolidation projects be undertaken in this phase	To be addressed through Objective 3.1, 3.2 & 3.3
51	That HRM reinvests in renewal programming for all appropriate Community Centres, Multi-District Hubs, Indoor Facilities and Event facilities to ensure the facilities remain economically viable and fit with the Community Facilities Master Plan, HRM vision, mission, mandate and asset management policy.	To be addressed through Objective 3.1 & 3.3
55	That the Recreation Blueprint be amended to include statements that HRM will strive towards equitable user fees and subsidies across all indoor and outdoor service delivery areas.	To be addressed through Objective 3.3
55	That HRM increase the financial support for Community Boards through the Community Contribution Fund.	To be addressed through Objective 3.3
55	That an "Access to Recreation" Task Force be established to review all user fees and volunteer board funding requirements.	To be addressed through Objective 3.3
55	That HRM expand its affordability provisions and policy for access to recreation for citizens who are economically disadvantaged to ensure that access to recreation programs and services is available to all.	To be addressed through Objective 3.3

Note: Only the recommendations pertaining to the facilities within the scope of this project, were included.

### APPENDIX 3 - Community Facility Master Plan 2008, Status and Link to Project Charter

Recommendations - Completed or in Progress		Status
16	That the guiding principles from the Recreation Blueprint be enhanced to address strategies from 2004 IRFMP and support the design of a new supplementary style of service delivery to the community.	Completed (if this is referring to recommendation #9 from IRF)
	That a review of the program focus within the Recreation Blueprint be undertaken to evaluate the impact that the large aging population will have on HRM recreation services.	Completed. Recreation Blueprint indicates that senior programs will be provided by CRS in high need communities or where CRS is the sole provider, otherwise the service level priority will remain at the "enterprise" level (55-100% cost recovery). Children and youth remain the area of emphasis for CRS.
	That the Recreation Blueprint endorses CRS' emphasis on the role of Program Facilitator or Enabler for Community Centres and Multi-District Hub Facilities.	Partially implemented. The Recreation Blueprint does emphasize CRS' role of Program Facilitator or Enabler in regard to the provision of recreation services, it does not specifically identify that role in regard to Community Centres or Multi-District Hub Facilities.
35	That the Peninsula Halifax Facility Study is completed and includes a detailed review of the St. Andrew's, Needham/George Dixon/Bloomfield facilities. The study should be expanded to include future operations of Centennial Pool; a complete operational review of Needham, Bloomfield, and George Dixon Recreation Centres; and HRSB future use of Highland Park Junior High School as a consideration for combing servicing for Needham area residents.	Completed.
36	That HRM maintain the life of Centennial Pool until such time as a study has been completed on either developing a joint consolidation facility with Needham on the Peninsula, possibly on Forum lands.	Completed. Study completed. Capital worked in progress to extend life of pool by 10-15 years.
45	That dependent upon the outcome of a feasibility study it is recommended to construct a new Multi-District Hub facility on the Peninsula as a consolidation of Needham Community Centre and Centennial Pool.	Partially implemented. Study complete, but study recommends a feasibility study and not consolidating Needham and Centennial Pool.
52	That HRM continue to replace and/or construct new community centres and Multi-District Facilities in the most relevant locations.	Complete.

Note: Only the recommendations pertaining to the facilities within the scope of this project, were included.

**APPENDIX 3 - Community Facility Master Plan 2008, Status and Link to Project Charter**

<b>Recommendations - Completed or in Progress</b>		<b>Status</b>
<b>54</b>	That HRM adopt the Facility Continuum Model as a framework for facility development.	Complete.
<b>55</b>	That HRM increase the financial support for Community Boards through the Community Contribution Fund.	Implemented. The fund went from the original \$250k to approximately \$290K as reporting requirements tightened.
<b>55</b>	That HRM expand its affordability provisions and policy for access to recreation for citizens who are economically disadvantaged to ensure that access to recreation programs and services is available to all.	In Progress through Service Review.

Note: Only the recommendations pertaining to the facilities within the scope of this project, were included.

#### Appendix 4 - Summary Financial and Management Condition by Facility

Facility	Operating Results	Capital and other debt obligations	Outstanding Council Motions & Management Agreement Issues
<b>Multi-District Facilities</b>			
Canada Games Centre	TBD		
Cole Harbour Place			
Dartmouth Sportsplex			
Sackville Sports Stadium			
St. Margaret's Centre			
<b>Other</b>			
Alderney Landing			
Centennial Pool			
Halifax Forum			

#### Key:

Positive or stable results; no immediate approvals outstanding

Mixed results or small deficits beginning to occur; major issues on the horizon

Negative results or trend, significant deficits or outstanding debt; immediate approvals outstanding



## 1. Project Overview and Purpose

HRM *Multi-District Facilities*<sup>1</sup> and a number of other HRM facilities have experienced various challenges over the years including governance, funding, and alignment of mandates with HRM goals. Some facilities have experienced difficulty fund-raising and have incurred operating and capital deficits. Numerous individual and master plan facility studies, notably the 2008 Community Facility Master Plan (CFMP), have been undertaken and over 100 recommendations have been made to address issues or opportunities identified in those studies. Despite this work and the efforts of community volunteers, facility managers, HRM staff and Councillors, there is no clearly communicated operating or management framework to support these facilities and to ensure that they are able to meet challenges when they arise and achieve expected goals and objectives for the community.

In response to a variety of concerns raised during the 2011/12 budget debates a motion was put forward to have staff examine the issues from a broader perspective than facility by facility. In April 2011 Regional Council approved the following motion:

*MOVED by Councillor Watts, seconded by Councillor Sloane, that Halifax Regional Council request a staff report outlining the proposed plan around proposal for indoor facilities, community facilities, role of the multi-district facilities and identify future budget implications for HRM.*

SDALE Contracting and Consulting Services Inc. was engaged to develop a clear statement of the key problem(s) facing HRM *Multi-District Facilities* and propose an approach to address them. Three key problems were identified:

1. The absence of effective **accountability** within HRM for *Multi-District Facilities*.
2. The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.
3. Lack of **alignment** between i) community and HRM program expectations; ii) facility mandates; and iii) facility & program funding.

The purpose of the project is to address these problems by achieving the following goals and objectives<sup>2</sup>.

**Goal #1** – Effective **accountability** is established within HRM for *Multi-District Facilities*.

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1 The term *Multi-District Facilities* refers to all facilities included in the project scope: Dartmouth Sportsplex, Halifax Forum, Cole Harbour Place, Sackville Sports Stadium, St. Margaret's Centre, Canada Games Centre, Alderney Landing, Centennial Pool.

2 The goals and objectives listed herein address the outstanding recommendations of the Community Facility Master Plan 2008. Appendix 3 lists the outstanding recommendations and identifies under which objective it will be included in the detailed project plan. In some instance outstanding recommendations have been included in the project charter because they provide direction that in the opinion of the Consultant should be highlighted and confirmed in the Project Charter. Relevant recommendations from the Office of the Auditor General have been identified and discussed with Audit Coordination Team (ACT) to ensure coordination between ACT and this project team.

*Objectives:*

- 1.1 Accountability for HRM Multi-District Facilities is established in organizational structure and supported through job descriptions and performance planning and appraisal.
- 1.2 A Management Agreement Template is developed and endorsed by HRM Council.
- 1.3 All HRM *Multi-District Facilities* have signed and up to date Management Agreements based on the approved Management Agreement Template.
- 1.4 Implications of non-compliance with expected results is documented and understood by facility managers.

**Goal #2** – Adequate **reporting and management processes** are in place to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

*Objectives:*

- 2.1 Key Performance Indicators (KPI) are defined and agreed to by HRM and MDF boards
- 2.2 KPI reporting schedules are met:
  - Internal – monthly
  - HRM staff – quarterly
  - HRM DCAO/CAO/Council – for first year quarterly at a minimum
- 2.3 There are quarterly meetings between facility managers and HRM point people
- 2.4 A process is in place to respond to anomalies and significant variances in performance results.
- 2.5 There are sufficient resources in place to meet management data requirements.

**Goal #3 – Alignment** exists between i) community and HRM program expectations; ii) facility mandates; and iii) facility & program funding.

*Objectives:*

- 3.1 HRM has articulated, documented and communicated desired program expectations and outcomes for Multi-District Facilities that reflect community expectations.
- 3.2 Multi-District Facilities have articulated, documented and communicated program expectations and outcomes that support HRM's program expectations and outcomes.
  - 3.2.1 That each Community Board operated community centre be aligned with the most appropriate Multi-District Hub facility and encouraged to develop mutually beneficial relationships that enhance operations of each facility. (CFMP recommendation 29)

3.3 HRM funding and financial arrangements with Multi-District Facilities are consistent with and support its desired program expectations and outcomes.

3.3.1 That after commencement of the Strengthening Community Boards and Network of Community projects a related project be commissioned to review service overlap, duplication and competition between municipally operated facilities and Community Board operated facilities. A key outcome of this effort will be to determine reasonable financial contributions for both municipally operated and Community Board operated facilities. That a report be completed to establish standardized criteria for the desired level of public subsidy for each facility category including both municipally operated and Community board operated. As part of this review, a recommendation should be made regarding the most appropriate management model for East Dartmouth and Gordon R Snow Community Centres. (CFMP recommendation #14)

3.3.2 That goals for operating with cost recovery be identified for municipally operated facilities. (CFMP recommendation #15)

3.3.3 Repayment plans be developed for facilities where any outstanding capital, construction and expansion amounts, as well as for any payroll or accumulated operating deficits for which no repayment plan currently exists.

3.4 Effective governance structures are in place to support HRM's Multi-District Facilities and realize HRM's desired program expectations and outcomes.

## **2. Scope**

The scope of this project is limited to the activities required to establish accountability, financial and management reporting processes and alignment of mandate, funding and assets within HRM *Multi-District Facilities*. Other categories of facilities are considered out of scope, unless they are being examined in relation issues that have a direct impact on *Multi-District Facilities*.

## **3. Assumptions and Dependencies**

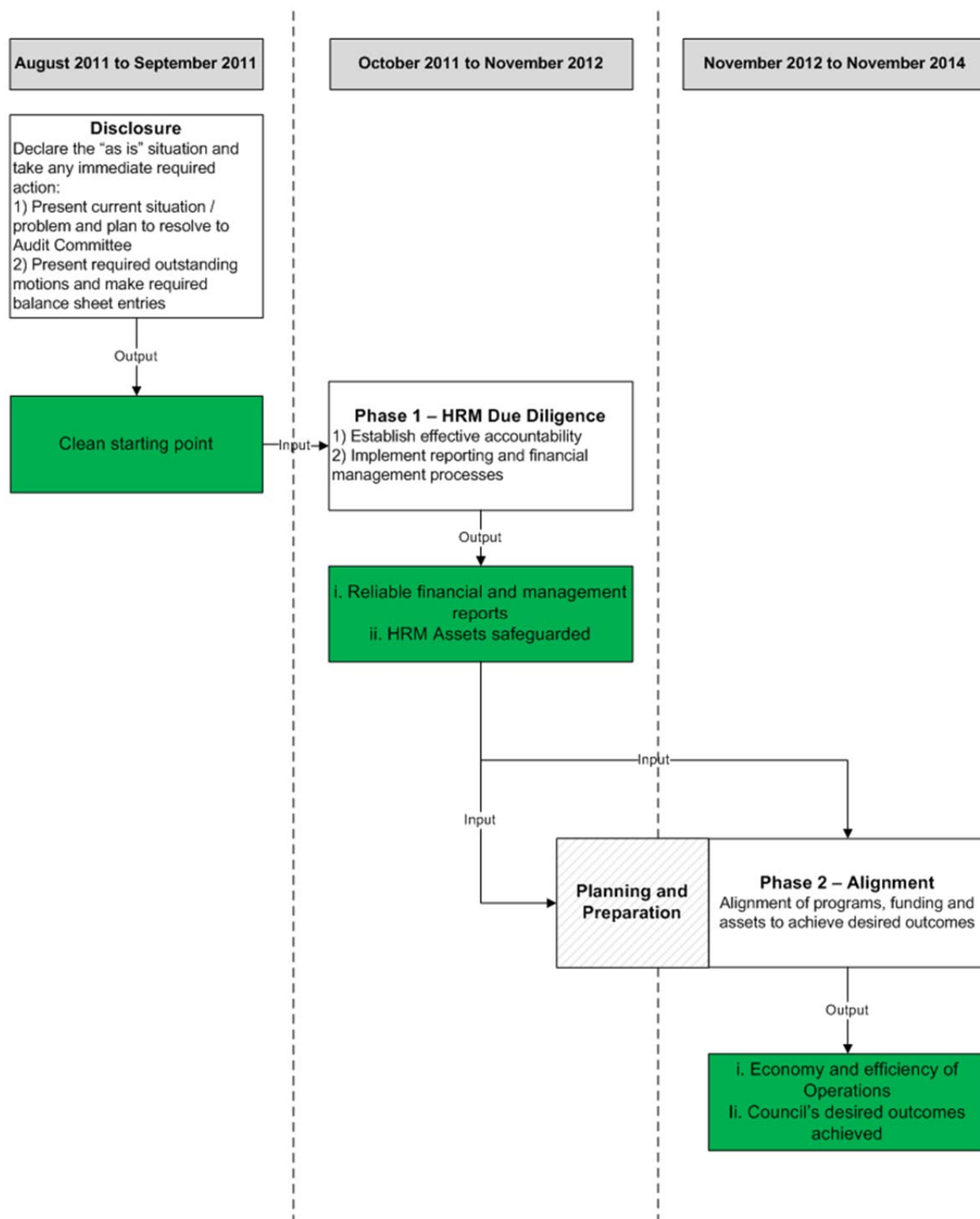
- A considerable body of work has already been undertaken to address the problems (in particular problem 3 lack of alignment) through master plans, facility studies and service reviews. Where ever possible, the project will build upon this existing work and not "re-invent the wheel".
- That until basic accountability and reporting processes are in place, no new facilities will be constructed and no major capital expansions will be approved for any HRM owned recreation facility.

- No new agreements or subsidies (or significant changes to either) for individual indoor recreation facilities will be agreed to for a term of more than one year until sufficient improvements have been achieved in accountability and reporting (i.e. for the duration of Phase 1).
- No new facilities will be developed or significant expansion projects undertaken, for indoor recreation facilities for the duration of Phase 1.
- If approved by Council, the Recreation Blueprint and Service Review Phase 1 will form an integral part of Phase 2 of this project, and provide direction on the development of policy.
- Policy and approaches will be developed based on Council's desired outcomes, not on individual facility needs.
- Accountability, reporting and alignment indicators will be completed for the remaining Category 3 and 4 facilities to determine whether they should be included in Phase 1 of this project.

#### **4. Issues and Risks**

- Resources (financial and staff time) could be spent and agreements and commitments entered into before the main problems of accountability and adequate reporting are addressed. There are two main implications of this risk:
  - i. that the key problems will not be addressed as resources are again pulled away to address the symptoms; and,
  - ii. that while the key problems are addressed, piecemeal decisions will be made with inadequate information that will make consistency and fairness difficult to impossible to achieve. may be impeded by the project
- Deterioration of relationship with communities and facilities as they may expect action on outstanding / unresolved facility issues.
- Pressure from Council to address ad hoc/ facility specific issues before the alignment problem is fully addressed.
- Insufficient internal capacity (financial resources and/or skills) to deliver the project.
- The project could become an issue in the upcoming election and/or the election may negatively impact the project.
- Scope creep: pressure to address all issues at all facilities at once.
- Undermining/not aligning with Recreation Service Review.
- Multi-District Facilities do not cooperate.
- Lack of data/ difficulty accessing required data.

## 5. Phasing, Milestones &amp; Schedule



## 6. Accountabilities and Team Structure

The project will be lead by a Project Manager with the support of a two different project teams, one for each phase, this will allow the project to benefit from the specific internal expertise required for each phase and to promote buy-in and to facilitate communication within the organization.

The Project Manager will report to the Deputy CAO who will act as project sponsor. The Audit and Finance Committee will be the project champion for phase one and the Community Planning and Economic Development Committee will act as project champion for phase two. Monthly status reports will be provided to the project sponsor and champion.

Phase	Skills, Structure & Accountability
<b><u>Phase 1</u></b> <b>HRM Due Diligence</b>	<p><i>Project Sponsor</i> - Deputy CAO</p> <p><i>Project Champion</i> - Audit and Finance Committee</p> <p><i>Project Manager</i></p> <ul style="list-style-type: none"> <li>- Leads all phases, not a content area expert.</li> <li>- Strong skills in project management, problem solving, communication, change management.</li> <li>- Acts as link/filter for identifying business planning and budget issues that may impact project.</li> </ul> <p><i>Phase 1 Project Team</i></p> <ul style="list-style-type: none"> <li>- Strong technical skills (finance, legal, facility management, recreation programming, data analysis) with a policy presence.</li> <li>- Manager level (M4/3) staff, with authority to make decisions.</li> <li>- Representation from Audit Coordination Team (ACT) to ensure coordination regarding recommendations applicable to the Metro Centre</li> </ul>
<b><u>Phase 2</u></b> <b>Alignment</b>	<p><i>Project Sponsor</i> - Deputy CAO</p> <p><i>Project Champion</i> - Community Planning and Economic Development Committee</p> <p><i>Project Manager</i></p> <ul style="list-style-type: none"> <li>- Leads all phases, not a content area expert.</li> <li>- Strong skills in project management, problem solving, communication, change management.</li> <li>- Acts as link/filter for identifying business planning and budget issues that may impact project.</li> </ul> <p><i>Phase 2 Project Team</i></p> <ul style="list-style-type: none"> <li>- Strong policy skills (finance, legal, facility management, recreation programming, governance) with technical presence.</li> <li>- Manager level (M\$ /3) staff, who will be assigned implementation.</li> <li>- Representation from Audit Coordination Team (ACT) to ensure coordination regarding recommendations applicable to the Metro Centre</li> </ul>

## Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment

**KEY:**

**Not present**

**Not consistently present**

**Present**

**Problem #1:** The absence of **effective accountability** within HRM for *Multi-District Facilities*.

### INDICATORS OF ACCOUNTABILITY<sup>1</sup>

Indicator (evidence that a condition exists)	Status	Supporting Data/Information
<i>Strategic</i>		
Strategic priorities for community facilities are defined and objectives determined		<ul style="list-style-type: none"> <li>- On 27 May 2008 Council approved the Community Facility Master Plan (CFMP) in principle</li> <li>- While 26 of 59 recommendations in the CFMP pertain to management, policy and planning of <i>Multi-District Facilities</i>, the focus is operational and does not provide direction on desired program expectations and outcomes.</li> <li>- From 2009/10 to 2011/12 HRM Business Plans and Budgets identify implementation of CFMP as a priority although few, if any, of the management, policy and planning recommendations are implemented.</li> </ul>
Strategic priorities are translated into/aligned with operational commitments (programs, assets, staff capabilities & other budget resources)		<p>No part of the CFMP Recommendation #1 was implemented<sup>2</sup>:</p> <ul style="list-style-type: none"> <li>- That HRM appoint a senior staff person as "Implementation Champion" immediately upon acceptance of this plan with full responsibility for coordinating the implementation of all 2008 recommendations</li> <li>- That a detailed implementation plan and strategy be developed within six months of acceptance of this plan</li> <li>- That HRM support an annual review of the CFMP and conduct more extensive updating of the document within a five year time frame</li> </ul>
Risks have been assessed and are integrated into current plans		<ul style="list-style-type: none"> <li>- Staff identified insufficient resources as a risk to the implementation of the management/policy recommendations of the CFMP. This risk was identified by staff. Additional resources were not authorized for the management/policy recommendations and completion of CFMP capital projects became in effect the priority.</li> <li>- No solution was offered to address the resource shortage and the status quo remained.</li> <li>- The risks associated with this decision were not documented or communicated to Council ...</li> </ul>

<sup>1</sup> Accountability defined as: "The requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations" (Panel on Accountability & Governance in the Voluntary Sector, 1999, p. 11)

<sup>2</sup> See attached Appendix E for status of CFMP recommendations.

## Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment

**KEY:**

**Not present**

**Not consistently present**

**Present**

Indicator (evidence that a condition exists)	Status	Supporting Data/Information
		until the 2011/12 Business Plan and Budget document where it was identified under both Challenges with Community-Wide Impact and Challenges with Service Delivery / Business Unit Impact and it was recommended that: <i>"a moratorium on any new facility requests and one existing FTE be repositioned to focus on policy development for 2011/12"</i>
Tone at the top supports the expectations		- The expectation of Council was the implementation of the 2008 CFMP; it appears that this expectation was not fully supported at the Executive and Senior Management level, as corporate resources were focused solely on the capital project recommendations.
Corporate discipline is exercised to focus efforts on the strategic priorities		- Efforts were focused almost exclusively upon the capital project recommendations of the CFMP. All of the recommended new or expanded community facilities were completed, but few if any, of the management/policy recommendations to ensure existing and new facilities would operate efficiently and effectively were completed.
Executive oversight exists and there is a regular review of results		- It does not appear that there was a formal mechanism for reporting against the objectives/results of the CFMP or business plans as they pertain to community facilities. - A report (29 March 2011 regarding Dartmouth Sportsplex, Halifax Forum and Peninsula feasibility studies ) went to Council regarding the CFMP, but it updated Council on what action had occurred as opposed to the status of the recommendations as a whole. - An annual financial performance report to Council on major facilities was last submitted for 2008/09.
The consequences of not achieving expected results are documented and understood		- The risks associated with continuing to operate without a consistent policy/management framework were not documented or communicated to Council until the 2011/12 Business Plan and Budget document where it was identified under both Challenges with Community-Wide Impact and Challenges with Service Delivery / Business Unit Impact and it was recommended that: <i>"a moratorium on any new facility requests and one existing FTE be repositioned to focus on policy development for 2011/12"</i> . This did not highlight the implications of non-action.
Compliance with applicable HRM policies, regulations and legislation		- No formal review of compliance is done; issues are identified and addressed on an exception basis.
<i>Operational</i>		
Priorities have been assigned and expectations defined (what & how)		- An implementation plan for the CFMP was never developed so while the annual CD business plan for the last three years had an objective about implementing the recommendations, it..



**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

Indicator (evidence that a condition exists)	Status	Supporting Data/Information
		was not clear which recommendations were to be implemented.
Responsibility for results is clearly assigned and communicated along with required authority (who)		<ul style="list-style-type: none"> <li>- HRM service delivery to community facilities is fragmented among four business units: Community Development, Infrastructure and Asset Management, Finance and Legal. There was no clearly identified overall lead or champion.</li> <li>- Job descriptions are out of date and do not reflect the current organizational structure. Responsibility for management of community facilities is fragmented.</li> <li>- When issues or problems arise it is not clear who is responsible for addressing them. For example when a facility incurs a deficit it is unclear how HRM is to respond and what the implications of the deficit are to the facility or to HRM.</li> </ul>
Reporting and monitoring processes are in place		<ul style="list-style-type: none"> <li>- No formal mechanism was established for reporting on the implementation of the recommendations of the CFMP.</li> <li>- No consistent regular reporting mechanism is in place beyond annual financial statement delivery. Majority of management agreements require quarterly reporting to HRM (except Hfx Forum where HRM provides the facility).</li> </ul>

**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

**Problem #2:** The absence of adequate **reporting and management processes** to support informed decision making and HRM oversight requirements related to *Multi-District Facilities*.

**INDICATORS OF ADEQUATE REPORTING AND FINANCIAL MANAGEMENT SYSTEMS**

Indicator (evidence that a condition exists)	Current Status	Supporting Data/Information
Key Performance Indicators (KPI) are defined and agreed to by HRM and MDF boards		<p>HRM has management agreements in place with all facilities being examined except the Canada Games Centre (where a draft MOU has been prepared but is unsigned). These management agreements do not clearly or consistently define the KPIs or set out what is required by both parties in order to deliver efficient and effective service and minimize risk to both parties<sup>3</sup>:</p> <ul style="list-style-type: none"> <li>- There is significant and inequitable variation between facilities in the requirements placed on them and the services provided by HRM, for example: <ul style="list-style-type: none"> <li>o some facilities receive an operating subsidy most do not</li> <li>o HRM pays for insurance on Directors for some facilities and not others</li> <li>o HRM provides payroll services for some and not others</li> </ul> </li> <li>- In almost all instances neither party is fulfilling all the commitments outlined in the management agreements, for example</li> </ul>
<p>KPI reporting schedules met:</p> <p><u>Frequency</u></p> <ul style="list-style-type: none"> <li>- internal – monthly</li> <li>- HRM staff – quarterly</li> <li>- HRM DCAO/CAO/Council – for 1<sup>st</sup> year Quarterly minimum</li> </ul> <p><u>Minimum reports</u></p> <ul style="list-style-type: none"> <li>- Rev/Exp (gross)</li> <li>- Budget to actual variance</li> </ul>		<ul style="list-style-type: none"> <li>- While all of the Management Agreements (except for the Forum and CGC MOU) require quarterly financial reporting to HRM, in practice HRM has only been requiring and receiving annual submission of: i) year-end statements and ii) budget for upcoming year and a verbal report regarding risks and opportunities for the coming year, and challenges faced last year</li> <li>- This information is provided at an annual meeting with HRM representatives.</li> </ul>

<sup>3</sup> See attached Appendix D for more detailed information on the content of Management Agreements.

**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

Indicator (evidence that a condition exists)	Current Status	Supporting Data/Information
<ul style="list-style-type: none"> <li>- AP &amp; AR</li> <li>- lease arrears / vacancies</li> <li>- Cash flow</li> <li>- YE projections</li> <li>- Risks on horizon</li> <li>- Asset condition</li> <li>- Adherence to maintenance schedules</li> <li>- Program information (types, demographics etc.)</li> <li>- other KPIs (tbd with facilities)</li> </ul>		
Facility managers have access to reporting tools		
A single HRM person assigned as liaison to each facility		This was a recommendation of the CFMP that has not been implemented for the facilities being examined (there are liaisons for most of the Category 1 facilities)
A finance professional (dedicated accounting staff) is in place at each facility		
An HRM finance person is assigned to facilities		There is a Senior Financial Consultant is assigned to facilities.
A financial statement audit is completed annually		
There are quarterly meetings between facility managers and HRM point people		The Manager of Service Delivery and the Senior Financial Consultant meet annually with the facility managers.
A process is in place to respond to anomalies and significant variances in performance results		There are no formal policies or procedures in place to address anomalies or variances, in large part due to the lack of/fragmentation of accountability within HRM. For example, when facilities do not meet their financial commitments resulting in unresolved deficits and outstanding accounts

**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

Indicator (evidence that a condition exists)	Current Status	Supporting Data/Information
		receivables, several business units are aware of the problem and involved, but it is not clear how to proceed and address the issue and who is responsible for ensuring action occurs.
Implications of non-compliance with expected results is documented and understood by facility managers		<ul style="list-style-type: none"> <li>- Implications of non-compliance are not outlined in management agreements</li> <li>- There are many examples of HRM and the facilities being in non-compliance with the management agreements without any action being taken</li> </ul>

**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

**Problem #3:** Lack of alignment between 1) community and HRM program expectations; 2) facility mandates; and 3) facility & program funding.

**INDICATORS OF ALIGNMENT**

<b>Indicator</b> (evidence that a condition exists)	<b>Current Status</b>	<b>Supporting Data/Information</b>
HRM has articulated, documented and communicated desired program expectations and outcomes for Multi-District Facilities		<ul style="list-style-type: none"> <li>- On 27 May 2008 Council approved the Community Facility Master Plan (CFMP) in principle</li> <li>- While 26 of 59 recommendations in the CFMP pertain to management, policy and planning of <i>Multi-District Facilities</i>, the focus is on operational priorities and do not provide direction on desired program expectations and outcomes. Few, if any, of these recommendations were implemented.</li> <li>- While the Recreation Service Review Phase 1 Report (not yet approved by Council) provides direction on desired Recreation outcomes, additional work is required to more clearly explain how this direction will be applied to community facilities.</li> <li>- Good work has been done (Indoor Recreation Master Plan, Community Facility Master Plan etc.) and what is now required it to confirm, refine and consolidate the direction HRM will take.</li> <li>- A key project risk is the urge to solve the alignment problem before dealing with accountability and management and financial reporting.</li> </ul>
HRM desired program expectations and outcomes for Multi-District Facilities reflect Community expectations		<ul style="list-style-type: none"> <li>- There has been a lot of community consultation, that has created/ increased community expectations</li> <li>- It appears that in most cases the true/full cost and implications of the options being presented was not communicated to, or understood by, the community.</li> </ul>
Multi-District Facilities have articulated, documented and communicated program expectations and outcomes		<ul style="list-style-type: none"> <li>- Only three of the eight facilities being examined have developed mission statements, of these three two are very high level and do not provide an understanding of the facilities specific mandate or service priorities.</li> </ul>
Multi-District program expectations and outcomes are consistent with and support HRM's program expectations and		<ul style="list-style-type: none"> <li>- None of the Management Agreements contain information on program expectations and outcomes (for HRM or the facilities)</li> </ul>

**Appendix 6 –Indicators of Accountability, Reporting and Management Processes and Alignment**

**KEY:**

**Not present**

**Not consistently present**

**Present**

Indicator (evidence that a condition exists)	Current Status	Supporting Data/Information
outcomes		
HRM funding and financial arrangements are consistent with and support its desired program expectations and outcomes		<ul style="list-style-type: none"> <li>- There are significant differences in the financial support that HRM provides to facilities that are owned and operated by HRM as compared to facilities that are owned by HRM and operated by Community Boards</li> <li>- There are significant differences in financial obligations, cost recovery ratios and facility subsidies between facilities.</li> <li>- There is no clear relationship between HRM program outcomes and the financial support provided by HRM</li> <li>- It is difficult to fully understand some of these differences based on the minimal amount of management and financial reporting information that is being provided to HRM by the facilities</li> </ul>