

AUDIT AND FINANCE STANDING COMMITTEE
MINUTES

April 3, 2013

PRESENT: Councillors: Bill Karsten, Chair
Russell Walker, Vice Chair
Gloria McCluskey
Tim Outhit
Barry Dalrymple
Lorelei Nicoll
Linda Mosher

REGRETS: Stephen Adams

Guest Councillors: Darren Fisher
David Hendsbee
Steve Craig

STAFF: Mr. Greg Keefe, Director of Finance and Information,
Communications & Technology/CFO
Ms. Marian Tyson, Acting Director, Legal Services
Mr. Matt Godwin, Legislative Assistant

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1. CALL TO ORDER

The Chair called the meeting to order at 9:33 a.m. in Halifax Council Chambers, Halifax City Hall.

2. APPROVAL OF MINUTES – March 20, 2013

MOVED by Councillor McCluskey, seconded by Councillor Nicoll that the minutes of March 20, 2013 be approved as presented. MOTION PUT AND PASSED.

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

Addition:

11.1 Amendment to Request for Funding Increase to T-229 Budget

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

4. BUSINESS ARISING OUT OF THE MINUTES – NONE

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RECISION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS – NONE

8. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

9. REPORTS

9.1 STAFF

9.1.1 Budget Increase – Motor Control Centre – Halifax Metro Centre

The staff report, dated March 4, 2013 was before the committee.

Councillor Nicoll asked for more details on the financial relationship with the Halifax Metro Centre in this respect, with Mr. Louis de Montbrun, Manager, Financial Planning, responding that the issue is largely a house-keeping one and the money has already been spent. Trade Centre Ltd. is seeking reimbursement from the Major Events Facility Reserve for these expenditures.

MOVED by Councillor Walker, seconded by Councillor Mosher that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

- 1. Approve an increase to the 2012/13 project budget for the Halifax Metro Centre – Motor Control Centre Project, in the amount of \$297,076.33 with funding available as a withdrawal from the Major Events Facilities Reserve, Q319;**
- 2. Approve the revised Reserve Business Case for the Major Events Facility Reserve, Q319, and**
- 3. That the report be received by Halifax Regional Council at its April 9, 2013 meeting.**

MOTION PUT AND PASSED.

9.1.2 Midlife Bus Rebuild Funding

The staff report dated March 13, 2013, was before the committee.

MOVED by Councillor Nicoll, seconded by Councillor McCluskey that the Audit and Finance Committee recommend that Halifax Regional Council approve an increase to Project No. CVD00431 - Midlife Bus Rebuild by \$350,000 with a corresponding decrease to Project No. CVD00435 – Conventional Bus Replacement by \$300,000, and a decrease to Project No. CVD00434 – Conventional Bus Expansion by \$50,000 as outlined in the Financial Implications section of this report.

MOTION PUT AND PASSED.

9.1.3 Revenue and Corporate Accounts - Budget Presentation

The budget presentation was before the committee.

Mr. Greg Keefe, CFO, introduced the item as a continuation of the budget process as begun in December and provided a review on what happened at the December, 2012 meeting.

Mr. Keefe provided background on a number of items, including residential taxes, commercial taxes, spending and the debt. He also provided background on revenue for operations and expenditures; transfers to outside agencies, and residential tax rates.

In addition, Mr. Keefe provided commercial taxation options, a new trade centre marketing campaign and noted that there is no carry forward from the previous year for this budget.

Councillor Walker asked for more background on residential tax and Mr. Keefe responded that the proposed average tax increase will be 2.4%, which is 65.8 cents per dollar and down from 66.1 cents per dollar. This represents a reduction of roughly half a percent. 8% of homes are capped at 1.4 and those homes' actual tax only increases by 0.9%. The average tax bill is \$1669.00 and most capped homes will see a tax reduction.

Councillor Walker asked for clarification on the commercial tax being pegged to Gross Domestic Product (GDP) and how this changes from the status quo. He further asked staff how this change will benefit businesses.

Mr. Keefe responded that, previously, HRM had no policy mechanism to implement commercial taxation apart from the residential tax. The GDP is a measure of economic activity and the number is derived from the Conference Board of Canada.

Councillor Walker asked what the number is and when it was calculated, with Mr. Keefe responding that the peg is Halifax's GDP. Mr. Keefe advised that pegging the rate to the GDP could open HRM to more ups and downs than pegging to the property tax system, for example.

Councillor Walker asked if outside organizations, such as the Halifax Chamber of Commerce, have been consulted, with Mr. Keefe responding that they have been made aware, but were not consulted.

Councillor McCluskey asked what the increase in assessments was this year and Mr. Keefe responded that commercial assessments were at 6.4 and residential 5.8.

Councillor McCluskey asked what the estimated loss in appeals will be, with Mr. Keefe responding that it would be about \$450,000.00 on residential and roughly \$3 million on commercial.

Councillor McCluskey asked if HRM should be involved in large appeals and Mr. Keefe responded that Legal and Revenue are working on some of these accounts. Councillor McCluskey asked specifically about the status of Citadel Hill and Mr. Keefe responded that HRM are still in negotiation with the federal government.

Ms. Marian Tyson, Director, Legal Services noted that Legal Services staff have met with representatives of the federal government and indicated they will return to staff with a proposal in one month, but there is no indication on what the details will be.

Councillor McCluskey noted HRM is still supporting an Executive Director for both the Greater Halifax Partnership and Destination Halifax, which staff should consider consolidating and the Library should have been brought in house. She asked if most residential taxes will be going down.

Mr. Keefe responded that in the recommended option most taxes will go up by 1%, if Council adopts the alternative, there will be no increase. He clarified that in the recommended option the bill will go up, but the rate will go down and this is because of the change in assessment.

Councillor Nicoll indicated she was pleased to see the scale back on the LIC. She noted that HRM's policy framework with respect to commercial taxation is weak and asked staff what they are doing to address this. Also, Councillor Nicoll noted she was pleased to see an internship program supporting the retention of talent at HRM. She further asked staff what the surplus is.

Mr. Keefe responded that the extent of the policy work being done is dependent on the mandate being given by Regional Council and staff need more capacity to address this. The surplus for 2013/14 is projected to be \$16 million, which is largely being recommended to the reserves, with half being dedicated to the LED lighting program.

Councillor Outhit indicated he was pleased with having a 0% increase option and with the change to the LIC. However, he indicated he was struggling with the increase. With respect to small business, Councillor Outhit would like to see Regional Council give staff permission to look at ways to provide assistance. With last year's surplus being \$16 million, he asked what the life was from new homes and businesses.

Mr. Keefe advised the lift looks to be about \$10 million to \$11 million.

Councillor Outhit indicated that HRM should be meeting spending targets through new money raised, rather than raising taxes. He indicated that there are other options than those being presented, including looking at capital to close the gap. Ultimately, raising taxes should be the last resort.

Mr. Keefe indicated that staff have found \$13 million in efficiencies and HRM is now in a place where, with respect to assets, maintenance happens without using debt. In regard to capital, Council could decide to reduce the number of projects and this is coming to the Audit and Finance Standing Committee in two weeks.

Councillor Mosher asked what will be done with respect to the Auditor General's report on the Greater Halifax Partnership and Destination Halifax. She further called for HRM to have its own economic arm to reduce red tape and commercial taxation, among other issues. Finally, she would like to see guiding principles added to page three and asked if the rate increase is .9%.

Mr. Keefe indicated this was accurate and added that the increase is a function of the annual rate increase; houses which are worth more will end up paying more.

Councillor Mosher indicated she would like to see the municipal price index, overtime, union agreements and salary increases addressed at the April 24, 2013 Audit and Finance Standing Committee meeting. She also asked for more information on how the

commercial taxation changes will benefit the business community and for staff to look at a square footage tax.

Mr. Keefe responded that staff have looked at property size, revenue and number of employees, among others as options. He noted that property size may be too blunt a tool as some larger properties may be rented and not reflect the capacity of the business and vice versa. Ultimately, staff need a mandate from Council to do explore changes for small businesses.

Councillor Mosher asked for greater details to be provided to the Chamber of Commerce, the Association of Independent Businesses among others. She further asked for details on action taken with respect to the recent Auditor General's report.

Mr. Keefe responded that staff have spoken to the Chamber and indicated they were pleased with the presentation. With respect to the Auditor General's report, staff are tracking progress on these recommendations and will report progress to this committee.

Councillor Dalrymple asked if there is any differentiation made between urban, suburbs and rural communities with respect to taxation, with Mr. Keefe responding that there is none.

Councillor Dalrymple commended staff on the budget package, but noted that HRM is paying \$8 million to the Province for mandatory charges, and now an additional \$8 million for the LED program as imposed by the Province without consultation. He asked how much each year is HRM saving on debt servicing costs.

Mr. Keefe noted the savings on debt servicing is about \$1.2 million.

Councillor Dalrymple further asked if the entire surplus is going to the reserves, with Mr. Keefe responding that staff are planning for pressures next year and looking at how to build these into the budget.

The Chair, Councillor Karsten, remarked that transfers from HRM to the Province are almost \$130 million and residents should understand that not all taxes paid to HRM are spent by HRM.

Councillor Hendsbee indicated his displeasure with the budget process and noted that it should have gone through a Committee of the Whole. He asked staff how proximity to sidewalks in suburban and rural areas will affect taxation, with Mr. Keefe responding that a report to Regional Council six weeks ago indicated it will affect the suburbs within one kilometre of sidewalk.

Councillor Hendsbee indicated the need to incorporate into the budget rural, as well as active transportation. He noted he will be pleased to see the LED project coming forward as it represents a savings opportunity for HRM. Finally, he indicated the need

for staff to have projects at-the-ready to take advantage of the federal infrastructure program, such as the Aerotech Park and Halifax Water.

Mr. Keefe responded that staff do not have the details on the new infrastructure program, but expects that it will be more flexible than the last one, however, he agreed to the need to be ready.

Councillor Walker indicated that now is not the time to cut infrastructure spending. Councillor Walker asked about the commercial tax revenue as a per cent of GDP, 1.05% and asked if there will be an increase, with Mr. Keefe responding that in those columns there will be a decrease with the pressure being felt on the residential side.

Councillor Walker asked if next year staff expect to change the commercial tax rate and if this will require a change to legislation, with Mr. Keefe responding that Council will need to change the policy in order for staff to explore changing the formula.

Councillor Walker asked if pegging the commercial tax to the GDP will happen for only this year and Mr. Keefe responded that the Province is doing a fiscal review and there is a staff representative participating in this. This will inform how HRM moves forward.

Councillor McCluskey asked who is doing the marketing for the trade centre and Mr. Keefe responded that Trade Venture Ltd. is working with the Province on this, but it's not yet in place.

Councillor McCluskey asked about the parkade increase in revenue, with \$1.6 million going into the reserve maintenance, indicating that if HRM is not making money, it should be sold. Councillor McCluskey asked about the revenue from the Citadel Hill negotiations and Mr. Keefe responded that extra revenues will go into reserves.

Ms. Tyson clarified that if the matter is settled in 2013/2014 it will become part of the capital budget, but if not, the resolution could be a number of years away.

Councillor McCluskey asked for a list of the largest assessment appeals.

Councillor Outhit indicated he was pleased to see a three year average for commercial taxation. However, he questioned why staff are recommending a tax increase when HRM is projecting a \$16 million surplus. Further, HRM has increased capital spending every year, in addition to the stimulus funds, and savings could be found here and in the reserves. Other options are available and he will not support this motion.

Councillor Fisher asked for an outline of the \$7.7 million mandatory payment to the Province and Mr. Keefe advised that is it mandatory education contributions.

Councillor Dalrymple offered the committee's thanks to the president of the Union of Nova Scotia Municipalities, with reference to a news release of that day.

MOVED by Councillor Walker, seconded by Councillor Dalrymple that the Audit and Finance Committee direct staff to proceed to prepare the proposed 13/14 Budget based on:

1. **Average Residential Tax Burden increase of CPI + 1% using the following rates:**
 - a. **General Tax Rate** 0.06580
 - b. **Local Transit Rate** 0.10500
 - c. **Regional Transit Rate** 0.05100
 - Total** 0.08140

2. **Set Commercial Taxes to Growth in GDP, less 1.5% (BOT Phase Out):**
 - a. **Business Occupancy** 0.00000
 - b. **Commercial Tax Rate** 0.30700

MOTION PUT AND PASSED.

9.2 MEMBERS OF THE STANDING COMMITTEE

9.3 OFFICE OF THE AUDITOR GENERAL – NONE

9.4 SUB-COMITTEES

9.4.1 Grants Committee

9.4.2 Investment Policy Advisory Committee

9.4.3 Special Events Advisory Committee – NONE

10. MOTIONS – NONE

11. ADDED ITEMS – NONE

11.1 Amendment to Request for Funding Increase to T-229 Budget

The Audit and Finance Standing Committee approved the following motion at its March 20, 2013 meeting:

That the Audit and Finance Committee recommend that Halifax Regional Council approve an increase to the T-229 budget, in the amount of \$250,000 to help cover some of the costs of the deferred programs in the January 22, 2013 staff report.

Councillor Hendsbee asked if staff are going to address the tax exemption with respect to the increase assessment on the properties, with Mr. Keefe advising that the action is being taken as the exemption is to the taxes.

In response to Councillor Dalrymple, Councillor Walker noted that the focus on cooperative housing comes from Councillor Watts with an aim to covering this gap in particular. Ultimately, the amendment is only adding the budget year to the motion.

MOVED by Councillor Walker, seconded by Councillor Nicoll that the Audit and Finance Standing Committee recommend that Halifax Regional Council approve an increase to the 2013-14 budget, By-law T-229 of \$250,000 to help cover the cost of the deferred 'Affordable Housing/Co-operatives' listed in the January 22, 2013 staff report.

MOTION PUT AND PASSED.

13. IN CAMERA

13.1 Approval of the Minutes, March 20, 2013

The minutes of the In Camera minutes of the March 20, 2013 meeting of the Audit and Finance Standing Committee were before the committee.

The following motion was put in the public portion of the meeting:

Moved by Councillor McCluskey, seconded by Councillor Nicoll that the In Camera minutes of the March 20, 2013 Audit and Finance Standing Committee be approved as presented. MOTION PUT AND PASSED.

14. NEXT MEETING DATE – April 17, 2013

13. ADJOURNMENT

The meeting was adjourned at 10:59 p.m.

Matt Godwin
Legislative Assistant