



# Multi-District Facility Project

Community Planning & Economic Development Committee  
January 23, 2014

# Origin

- November 8, 2011 - Motion of Regional Council directing staff to undertake work on accountability, reporting and alignment of Multi-District Facilities (MDF)
- Facilities included in scope:
  - Canada Games Centre
  - Dartmouth Sportsplex
  - St. Margaret's Centre
  - Alderney Landing
  - Cole Harbour Place
  - Sackville Sports Stadium
  - Centennial Pool
  - Halifax Forum
- March 19, 2013 - Motion of Regional Council declaring Phase 1 (reporting and accountability) of the MDF Project as complete and directing staff to undertake work on Phase 2 (alignment), including review of current governance structure

# Origin

- In the March 19, 2013 motion, Regional Council:
- 1. Declare Phase 1 of the Multi District Facility Project (Accountability and Reporting) as complete with the implementation of effective accountability and reporting processes; COMPLETED
- 2. Lift the restrictions on major capital expansions for all HRM MDF recreation facilities since the accountability and reporting processes are in place as required in the Regional Council motion of November 8, 2011; COMPLETED
- **3. Direct staff to undertake completion of Phase 2 (Alignment) of the Multi-District Facility Project which includes community and HRM program expectations, facility mandates and facility program funding as it relates to the MDF's and expand the scope of Phase 2 to include governance**
- **4. As part of the phase 2 (alignment), adjust the schedule for the development of repayment plans for any outstanding capital or operating amounts owing from the Multi-District Facilities (MDF) to no later than June 2014 for the reasons outlined in the report; and**
- **5. Extend the requirements that no new subsidies or significant changes to existing subsidies be approved with a term of more than one year until completion of Phase 2 of the MDF Project.**

# Recommendations

Whereas Regional Council seeks to establish an efficient and effective Regional network of recreation infrastructure that embraces its Healthy Community priorities of inclusion, accessibility and meeting the needs of all HRM citizens, it is recommended that CPED recommend that Council direct staff to:

- Consult with the current volunteer Boards of the Multi-District Facilities to explore options for the establishment of a Regional Advisory Committee(s) structure that would provide advice regarding the provision and programming of all HRM recreation infrastructure;
- Develop a transition plan for Council's consideration that transfers direct operational oversight of HRM's Multi-District Facilities to Halifax Regional Council and addresses the following objectives:
  - Creates a regional advisory committee(s);
  - Establishes a regional funding model;
  - Initiates the absorption of the outstanding operating and capital debts of the facilities;
  - Restores appropriate and legally defined employer relationships for the operation of the facilities;
  - Addresses the Auditor General recommendations related the administrative functions of the Agencies, Boards and Commissions; and,
  - Creates cost efficiencies for rate payers for the delivery of recreation services;
- Maintain and support the current MDF Boards and direct that no new boards be created for HRM owned recreation facilities until the transition plan and governance options are considered by Council; and
- Return to Regional Council with the transition plan and advisory board governance options to complete Phase 2 of the MDF Project no later than the Fall of 2014.

# Current Situation

- Dispersed recreation service delivery – 70% of HRM's total annual recreation expenditures beyond Regional Council's direct control of taxpayer's investment
- Eight (8) different governance models exist across the entire HRM recreation network, four (4) within the MDF's alone
- GHP Benchmarking – variety and extent of governance unique
- Subject MDF's represent 51% of HRM's total annual recreation expenditures and 42% of replacement value of recreation facility portfolio (\$230 million)

# Current Situation

- The 8 MDF's are governed through largely out-dated management agreements
- MDF's are required to achieve full cost recovery for operating expenditures
- Current combined annual operating deficit is \$1.5M and trending upward
- Combined operating and capital debt owing to HRM is \$13.4M

**Table 4: Financial Performance 2012/13 and Financial Position**

In '(\$000)

FACILITY	Alderney Landing	Canada Games Centre	Centennial Pool	Cole Harbour Place	Dartmouth Sportsplex	Halifax Forum	Sackville Sports Stadium	St. Margaret's Centre	TOTAL
<b>Operating Revenues</b>	1,100	4,615	409	3,544	4,645	4,094	2,959	1,500	<b>22,866</b>
<b>Operating Expenditures</b>	(1,269)	(4,505)	(565)	(3,134)	(4,858)	(3,887)	(3,442)	(1,916)	<b>(23,576)</b>
Debt (Loan) Repayment	-	-	-	(203)	(75)	(147)	(281)	-	<b>(706)</b>
Net Capital Expenditures (funded by facility)	-	-	-	(7)	(155)	-	-	-	<b>(162)</b>
<b>Annual Operating Surplus (Deficit) before HRM subsidy</b>	<b>(169)</b>	<b>110</b>	<b>(156)</b>	<b>200</b>	<b>(443)</b>	<b>60</b>	<b>(764)</b>	<b>(416)</b>	<b>(1,578)</b>
<i>Cost Recovery Rate (before HRM subsidy)</i>	87%	102%	72%	106%	91%	101%	79%	78%	94%
Operating Subsidy (approved by Regional Council)	175	300	140	-	-	103	-	-	<b>718</b>
<b>Net Annual Surplus (Deficit) after HRM subsidy</b>	<b>6</b>	<b>410</b>	<b>(16)</b>	<b>200</b>	<b>(443)</b>	<b>163</b>	<b>(764)</b>	<b>(416)</b>	<b>(860)</b>
<i>Cost Recovery Rate (after HRM subsidy)</i>	100%	109%	97%	106%	91%	104%	79%	78%	96%
<b>Accumulated Net Assets (Deficit) from balance sheet</b>	<b>(23)</b>	<b>374</b>	<b>(3)</b>	<b>481</b>	<b>(2,275)</b>	<b>(292)</b>	<b>(4,187)</b>	<b>(451)</b>	<b>(6,376)</b> *
Operating Debt Past Due	-	-	-	-	1,534	-	0	187	<b>1,721</b>
Capital Debt Past Due	1,051	-	-	-	-	-	3,678	-	<b>4,729</b>
Operating Debt Due in Future	40	-	-	134	318	-	158	198	<b>848</b>
Capital Debt Due in Future	-	-	-	725	77	1,131	2,045	2,167	<b>6,145</b>
<b>TOTAL DEBT</b>	<b>1,091</b>	<b>0</b>	<b>0</b>	<b>859</b>	<b>1,929</b>	<b>1,131</b>	<b>5,881</b>	<b>2,552</b>	<b>13,443</b>

\*This is the Financial Position of each entity

# History

Current governance system was endorsed at amalgamation but operating conditions have substantially changed:

- Abundance of external competitors, private sector fitness
- Increase in provision of HRM facilities, competing with ourselves
- Decline of Bingo revenues (smoking, VLT, gambling)
- Demographics – Aging population, two working parents





# History

- Increased insurance requirements and costs
- Utility cost increases
- Increased regulation (health & safety, labour, procurement, privacy)
- Expectations of volunteers have changed and availability declined
- Demands upon volunteers, fiduciary and management responsibilities have increased

# Current Challenges

- 100% Cost Recovery model drives competition with the other HRM facilities, private sector, and Not for Profit (NFP) sector
- Program pricing is increasing, creating pressure on HRM and NFP service providers to fill the gap
- Facilities tend to spend and/or grow revenues rather than cut costs to balance, leading to increasing deficits and significant capital demands
- Larger portions of the facilities are being leased, driving pressure on HRM to find alternate facilities for NFP and community groups

# Current Challenges

- Demand for more corporate support from HRM, financial and administrative
- Surpluses remain with the facilities in lieu of balancing regional requirements
- Business processes and systems remain siloed (HR, Information Management, Legal, Finance, Performance Management, Procurement, Maintenance)
  - driving costs and challenging ability to share resources, optimize facility utilization, and improve program delivery

# Current Challenges

- Increasing levels of stress upon volunteers and need for competency based Boards
- Boards are challenged to represent community interests given their current scope of influence and focus upon balancing the budget
- Inability to identify and rationalize redundant assets where appropriate
- Overall departure from Council's Healthy Community objectives of Inclusion, Accessibility, and Unstructured Play

# Staffing Challenges

- Inconsistencies
  - Sackville Sport Stadium and Halifax Forum: HRM staff
  - All others: non-HRM staff
- Unionized vs non-unionized positions
- Variable pay levels
- Competition between facilities for staff
- Employer/Employee relationship between employees and facilities
  - Impacts oversight and administrative support processes

# Staffing Variations

**Table 3: Regional Facilities Staffing Complements**

Facility	FT	PT	Casual	PT/Casual	Union*
Alderney Landing	5	4	47	-	No
Canada Games Centre	41	-	-	150	No
Centennial Pool	2	16			No
Cole Harbour Place	36	138	8	-	Yes
Dartmouth Sportsplex	19	7	-	175	No
Halifax Forum	16	2	35	-	Yes
Sackville Sports Stadium	9	-	-	175	Yes
St. Margaret's Centre	16	12	40	-	No

\*CHP-28 Union Positions-NSUPE Local 22

\*Halifax Forum-10 Union Positions-CUPE Local 108

\*Sackville Sports Stadium-5 Union Positions-CUPE Local 108

# Auditor's Observations

- Inefficiencies:
  - lack of collaboration, or “silos”, in which there was little or no communication among the agencies, boards, and commissions (ABCs) with regards to leading practices, shared services or opportunities for efficiency of administrative functions
  - design of the ABCs administrative functions does not promote efficiency as they operate in a decentralized model
  - corporate culture does not stress the need for efficiency
  - Inconsistent service delivery models
  - Inconsistent payroll functions

# Opportunity

- Recognize the MDFs as the “Hubs” of the Regional network of recreation facilities
  - Consistent with Community Facility Master Plan
- Transition to a single regional recreation governance approach for all HRM Recreation facilities; of which:
  - Regional Advisory Committee(s) is established, with possible models:
    - alignment within current MDF hubs
    - alignment with Community Councils
    - one regional advisory committee
  - Regional Council increases its direct operational oversight to include the MDF’s



# Service Delivery Benefits

- Regional approach to service delivery
- Less focus on special interest groups requests
- Reduced competition between HRM facilities
- Increased footprint for recreation and community programming
- Reduced commercial interests in facilities
- Opportunities for optimized pricing, centralized scheduling and mobile membership
- Consistent implementation of HRM strategic direction

# Financial Benefits

- Integration of HRM and MDF staff resources and business processes
- Projected annual savings in excess of \$1M, eliminating current collective revenue shortfall
- Ability to optimize facility utilization and program delivery, rationalize redundant assets
  - appropriate decisions on operating and capital costs
  - significant potential for sale of land
- Reduced costs through shared services and purchasing economics of scale
- Regional funding approach which recognizes surpluses belong to the regional network and offset losses in other facilities

# Administrative Benefits

- Ability to legally undertake more oversight of HRM facilities
- Employer status – appropriateness, clarity and remove risks
- Removal of risk of boards leaving – volunteers can stop operating at any time, no recourse for HRM, impacts to staffing & citizens
- Reduced pressure and risks for volunteers
- Simplification of overall governance structure
  - 80% HRM, 20% Community – more consistent with other cities



# Administrative Benefits

- Clarity related to HRM processes - procurement, ICT, legal, HR
- Consistent maintenance of HRM assets
- Consistent safety plans and requirements
- Ability to standardize technical systems and reporting data
- Improved ability to collect data and benchmark HRM
- Implementation of OAG recommendations – efficient staffing levels and roles

# Next Steps

- CPED recommendation to Regional Council
- If Regional Council approves approach:
  - Develop phased transition plan and governance options for Council's consideration
  - Consult with current facility boards and staff and collaborate with the Governance Review Project for optimal Advisory Committee Structure
  - Maintain and support current Board structure and management agreements, to minimize impact on citizens (program delivery), staff, and budgets
- Return to Regional Council with options – Fall 2014
  - Regional to decide on all changes, some changes or no changes

# Recommendations

Whereas Regional Council seeks to establish an efficient and effective Regional network of recreation infrastructure that embraces its Healthy Community priorities of inclusion, accessibility and meeting the needs of all HRM citizens, it is recommended that CPED recommend that Council direct staff to:

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