

HALIFAX

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Item No. 11.4.4
Halifax Regional Council
October 6, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

 Councillor Wayne Mason, Chair
Community Planning & Economic Development Standing Committee

DATE: September 22, 2015

SUBJECT: Multi District Facility (MDF) Project Phase 2 – Governance – Supplementary Report

ORIGIN

Motion passed by the Community Planning and Economic Development Standing Committee at its September 17, 2015 meeting.

LEGISLATIVE AUTHORITY

Section 5 of the Committee's Terms of Reference – Oversight – Community Building Initiatives.

RECOMMENDATION

Community Planning and Economic Development Standing Committee recommend that Regional Council direct staff to develop standard board governance model for the facilities included in the MDF Project Phase 2 and implement new agreements that achieve the following objectives:

- a. Establish a regional funding model;
- b. Initiate the absorption of the outstanding operating and capital debts of the facilities;
- c. Align annual budgets and business plans with the overall HRM budget process including requirement to meet budget targets and approval by Regional Council;
- d. Provide for the provision of HRM delivered ICT technology and software including support and maintenance;
- e. Restore appropriate and legally defined employer relationships for the operation of the facilities; this would include the option of HRM employees for facility management and program implementation;
- f. Support completion of a HRM safety review of all facility maintenance, operation and processes and subsequent agreement of resolution of all findings; and
- g. Outline clear community access requirements and initiates implementation of consistent pricing and membership model to enable a "one-client" model across all facilities.
- h. Return to Regional Council the plan and advisory Board governance options to complete Phase 2 of the MDF Project no later than the spring of 2016.

And further, request a staff report regarding possible amendment or removal of Alderney Landing from the MDF process and develop an appropriate approach reflecting its nature of an arts and entertainment facility

BACKGROUND

At the March 19, 2013 Regional Council meeting a motion was passed declaring Phase 1 of the Multi-District Facility (MDF) Project as complete and expanding the scope of Phase 2 to include governance. Staff presented a report on Governance to the Standing Committee's January 23, 2014 meeting. At that meeting the Committee passed a motion requesting a supplementary report on the matter. Staff presented the supplementary report to the Committee at its September 17, 2015 meeting, and the Committee passed a recommendation as noted above.

DISCUSSION

Following a presentation by staff and consideration of the report, there was general consensus among the Committee that Alternative 1 in the staff report was the preferable recommendation as it would provide boards clarity on their roles and responsibilities, and that it would provide consistency if all boards were working within the same framework.

Subsequently, the Committee approved a motion recommending Alternative 1 of the staff report with amendments. The amendments include:

- an addition to item 'e', providing the option of HRM employees for facility management and program implementation
- the addition of item 'h' to the recommendation
- the request for a staff report pertaining to the possible amendment or removal of Alderney Landing from the MDF process.

This amendment relating to Alderney Landing was put forward to provide clarity. Alderney Landing has a singular and different role because it is an arts/cultural facility, whereas, the other facilities are sports or recreation facilities.

FINANCIAL IMPLICATIONS

High level financial implications are outlined in the August 31, 2015 staff report.

The report notes that, should Regional Council direct that debts be absorbed by HRM as outlined in the recommendation of the Standing Committee, the debt would need to be absorbed into HRM's future operating budget and debt calculations.

If further notes that the proposed transition plan would provide detailed financial information to confirm initial cost requirements, overall estimated savings as well as debt absorption amounts.

COMMUNITY ENGAGEMENT

The Community Planning and Economic Development Standing Committee is a Committee of Regional Council comprised of six Councillors. The meetings are open to the public and the Committee's agendas, minutes, and reports can be viewed at Halifax.ca.

ENVIRONMENTAL IMPLICATIONS

None.

ALTERNATIVES

The Committee considered the staff recommendation and adopted Alternative 1 as outlined in the staff report, with amendments.

ATTACHMENTS

Attachment 'A': Staff report dated August 31, 2015

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Item No.
Community Planning and Economic Development
September 17, 2015

TO: Chair and Members of the Community Planning and Economic Development

SUBMITTED BY: Original signed by _____
Brad Anguish, Director of Parks & Recreation

DATE: August 31, 2015

SUBJECT: Multi District Facility (MDF) Project Phase 2 - Governance

SUPPLEMENTARY REPORT

ORIGIN

- November 8, 2011, Regional Council which approved the completion of proposed two phased approach, focusing on accountability and reporting work in Phase 1 as the necessary preparation for the alignment work in Phase 2 with respect to the Multi- District Facilities outlined in the study.
- March 19, 2013 Regional Council motion which declared Phase 1 of the Multi-District Facility Project (Accountability and Reporting) as complete and expanded the scope of Phase 2 to include governance.
- January 23, 2014 Community Planning and Economic Development motion:
MOVED by Councillor Mason, seconded by Deputy Mayor Fisher that:
Whereas the Community Planning and Economic Development (CPED) Standing Committee requires more information about the financial and social impacts of changing or eliminating the community board structure from MDFs, and
Whereas CPED requires further exploration of the linkage between determining the principles and purpose that guide MDF operations to possible revisions of the governance structure
That CPED refer this matter to staff for a supplementary report that will include further consultation with MDF Boards that recognizes the principles outlined in the report as well as consideration of the following:
 1. That MDFs can no longer necessarily break even on own source revenues while meeting the public good for which they are intended
 2. Presents the financial costs and benefits of a coordinated MDF system through Board Governance contrasted with direct HRM control
 3. That a universal MDF community access plan which enshrines HRM Council's Healthy Communities priorities - inclusion, accessibility and unstructured play should be developed.
 4. Community based programming is essential to the success of these facilities HRM will move forward with compatible integrated technology at MDFs regardless of final governance structure
 5. HRM will move to standardization of procurement, maintenance practices, safety practices, and fee structure across the MDF network.

6. That a regional advisory council be created to advise, facilitate and coordinate in an ongoing fashion between the MDF Boards and HRM.
 7. And any other related issues and principles outlined in the staff report and the CFMP process that should be considered during this dialogue with the MDF Boards.
- July 21, 2014 Regional Council motion:
That Halifax Regional Council request a staff report regarding the reinstatement of a community based board, similar to the Canada Games Centre and Dartmouth Sportsplex; and that this board to enter into a management agreement with the Municipality to oversee and operate the Sackville Sports Stadium.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 21(1): Council may establish standing, special and advisory committees.

Halifax Regional Municipality Charter, Section 79 1: the Council may expend money required by the Municipality for (k), recreational programs. and (x) lands and buildings required for a municipal purpose

RECOMMENDATION

It is recommended that the Community Planning and Economic Development Standing Committee recommend that Halifax Regional Council direct staff to:

1. Develop a transition plan for Regional Council's consideration that transfers direct operational oversight of HRM's MDFs to Halifax Regional Council and addresses the following objectives:
 - a. Creates a regional advisory committee(s);
 - b. Establishes a regional funding model;
 - c. Initiates the absorption of the outstanding operating and capital debts of the facilities;
 - d. Restores appropriate and legally defined employer relationships for the operation of the facilities;
 - e. Authorizes HRM to audit the operation of its facilities;
 - f. Addresses the Auditor General's recommendations related to the administration functions of the Agencies, Boards and Commissions; and
 - g. Creates cost efficiencies for rate payers for the delivery of recreational service
2. Initiate the establishment of a Regional Advisory Committee(s) structure that would provide advice regarding the provision and programming of all HRM recreation infrastructure;
3. Maintain and support the current MDF Boards and direct that no new Boards be created for HRM Owned recreation facilities until the transition plan is considered by Regional Council; and
4. 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 spring of 2016.

EXECUTIVE SUMMARY

Recreation service in HRM is currently delivered through a hybrid system, without a regional focus. This system currently uses eight governance models in the operation of HRM facilities to provide recreation programs and services to residents. The facilities and programming that are key components of HRM's recreation service delivery are provided through operating expenditures that exceed \$45M. With expenses exceeding \$23M, the eight facilities outlined in the MDF analysis represent 51% of the annual operating expenditures of HRM's recreation facility portfolio. The MDFs are a significant component of HRM's recreation service and need to play a pivotal role in service delivery. However, concerns related to the financial condition of the facilities arose in recent years

Consultation with the Community Boards of the facilities has provided insight into their current operations, expectations of HRM, and future needs for success. The Boards recommend continued autonomous operation with additional HRM support in certain areas.

However, the current governance model places significant risks on HRM without the ability or authority to be able to effectively mitigate those risks. The additional technical analysis shows the challenges with continued board governance approach to recreation service delivery, as well as areas where improvements could be made through process integration. With estimated eventual savings of over \$3M, along with consistent maintenance practices, integrated administrative processes and overall clarity in safety responsibilities, changes to the overall governance of the MDFs would provide benefits to recreation service delivery in HRM.

Further, a regional approach to service delivery would improve recreation services to HRM residents, optimize provision of infrastructure, and provide for a “hub and spoke” model with community involvement in the most effective areas; namely, the determination of community need through an advisory committee that was recommended in the Community Facility Master Plan (CFMP) previously adopted by Regional Council.

BACKGROUND

Overall, recreation service in HRM is delivered through a hybrid system, with the majority of facilities operated by third parties and some facilities directly operated by HRM. This system currently uses eight governance models to provide recreation programs and services to residents. Within the regional facilities outlined in the MDF project alone, four of these models exist. This system includes a significant number of recreation assets which have a footprint of approximately 2 million sq ft (190,000 sq metres) or 45 acres (18 hectares). This network of facilities utilizes approximately \$45 million in annual operating expenses. Based on the current governance models of the various facilities, 70% of those expenditures are by facilities that are operated by community boards and, as such, fall outside the direct control of Regional Council. As a result, those expenditures are not impacted or adjusted as part of HRM’s budget deliberations. Instead, Regional Council is only able to make expenditure adjustments to the 30% of recreation expenditures that falls under its direct control. Since a key focus of HRM’s recreation mandate is to reduce barriers to recreation programming for citizens, restricting Regional Council’s ability to access and manage 70% of the recreation expenditures limits HRM’s ability to provide effective services to its citizens.

The MDFs are a significant portion of the recreation footprint and expenditures. The MDFs range in size from 10,000 to 12,000 square meters. These multi-district facilities typically serve populations of 60,000 to 80,000 citizens. Based on the overall replacement value of HRM’s recreation portfolio which was determined to be \$553 million (2011 dollars), these facilities represent a replacement value of over \$230 million.

The eight MDFs included in the review represent 39% of the total square footage and 42% of the estimated replacement value of HRM’s recreation facility portfolio. Further, with annual expenses exceeding \$23M, these eight facilities represent 51% of the annual operating expenditures of HRM’s recreation facility portfolio. Staffing represents a significant portion of the expenses incurred at MDFs, administrative and maintenance resources in particular. Based on this, the MDFs are a significant component of HRM’s recreation service and need to play a pivotal (“hub”) role in service delivery. However, there are concerns related to the financial condition of the facilities.

As a result, in the fall of 2011, staff undertook an analysis on challenges facing HRM’s major facilities. A report titled “Multi-District & Event Facilities-A Case for Action” identified key issues and challenges facing the multi-district & event facilities (MDF) portfolio. Subsequently, at the November 8, 2011 meeting of Regional Council, staff was directed to undertake a two-phased priority project to address the issues identified in the report. The initial work involved establishment of reporting and accountability and resulted in the establishment of dedicated staffing resources.

The scope of the MDF project included the following facilities:

- Alderney Landing;
- Canada Games Centre;
- Centennial Pool;
- Cole Harbour Place;
- Dartmouth Sportsplex;
- Halifax Forum;
- Sackville Sports Stadium; and
- St. Margaret's Centre.

On March 19, 2013, Regional Council declared Phase 1 of the MDF Project (Accountability and Reporting) as complete. Based on work in Phase 1, it was determined that work on community alignment and HRM's mandate is significantly impacted by the governance model. Therefore, at the same meeting, Regional Council directed staff to undertake completion of Phase 2 of the Multi-District Facility Project and expanded the scope of the phase to include governance.

Phase 2 recommendations were presented to the Community Planning & Economic Standing Committee (CPED) on January 23, 2014 seeking direction to consult with the MDF Boards regarding the establishment of a Regional Advisory Committee(s) structure and to develop a transition plan to transfer direct oversight of the MDFs to Regional Council. CPED referred the matter back to staff for supplementary information.

This supplementary report provides the additional information requested by CPED and gathered in consultation with the volunteer community to complete Phase 2 of the project.

DISCUSSION

With over 70% of HRM's recreation expenditures outside of Regional Council's direct control, HRM is currently limited in its ability to influence the recreation service delivery to its citizens. This is further highlighted by the inability to fully implement the vision outlined in Regional Council's Healthy Communities priority. With over 50% of recreation expenditures being allocated through the eight facilities included in the MDF review project, changes to the decentralized and autonomous operation of these facilities provides the single largest opportunity for Regional Council to better enable implementation of Council's Healthy Communities priorities in a consistent manner across the entire recreation network along with standard processes and appropriate services that meet the needs of HRM citizens.

With the current community volunteer governance model, Regional Council, and ultimately HRM taxpayers, are assuming the risk for the decisions made by the volunteer boards with limited ability to impact decisions. With the autonomous operation of the facilities under the current board governance model, HRM is in a vulnerable state with potential risks which it cannot proactively manage or mitigate. As outlined in the in-camera report, these risks are far reaching and fall in numerous areas, including many of the components outlined in the CPED motion.

In order to provide the additional information outlined in the CPED motion, consultations were carried out with both the chairs of the volunteer boards, as well as the relevant staff of the MDFs. Further data collection and analysis was also completed to provide an overview for each of the main topics outlined in the CPED motion, namely:

- Consultation feedback
- Creation of Regional Advisory Council
- Universal MDF Community Access Plan
- Integrated Technology
- Standardization of administrative practices and fee structure
- Costs and Benefits of both board governance and direct HRM control

- Cost Recovery Model

The detailed analysis and findings for each of the topics is outlined in the Attachment 1 with a summary of each provided below.

Consultation Feedback (January 23, 2014 CPED overall motion)

A consultation workshop was conducted with the Boards that centered on some broad themes related to governance and recreation service delivery which included:

- Board Governance;
- Community Access and Guiding Principles; and
- Service Standardization and Integration.

In relation to governance, the Boards unanimously recommended that the volunteer community boards remain intact and have continued autonomy in the operation of their respective facilities, through separate and independently-directed agreements. It was felt that the volunteer boards provide HRM with the best direct connection to the community. Furthermore, the boards and their representatives felt that the volunteer boards encourage and foster a sense of community pride, leadership, and empowerment. While the boards felt they should remain autonomous in operating HRM's facilities, they recognized the need for greater cooperation amongst facilities to ensure positive results for all citizens.

While the volunteer boards felt strongly that autonomous operation should remain, there was also an indication that additional direction and support from HRM was required. The boards acknowledged that they did not have the resources or skillset to be able to fully meet current Occupational Health and Safety regulations and, as a result, felt additional HRM resources should be allocated to assist with those aspects. The boards also indicated that clearer direction from, and collaboration with, HRM was required to ensure that HRM's strategic direction was implemented.

The need for updated management agreements was an aspect which all parties agreed needed to be resolved. Clear mandates with an accurate reflection of the governance relationship with HRM, including clear priorities, would enable the facilities to be more accountable for the delivery of recreational services. Included in this discussion was the recognition that the integration of operational practices and coordination between the facilities is an area for improvement for all facilities.

The volunteer boards indicated that a major area of concern was the lack of consistent information technology and software solutions. There was consistent indication that standardization in a wide range of areas such as programming, financial management and scheduling would allow for more efficient operation of the facilities. There was also discussion surrounding procurement, insurance and auditing functions which were recognized to be areas in which standardization could be undertaken to reduce administration and increase efficiency.

The position outlined in the consultations was reiterated in a joint letter provided to HRM from the boards (Attachment 2). The overall position of the boards is for continuing autonomy, along with additional HRM support in certain areas. However, staff does not recommend that Council continue autonomous operation of the facilities, or increased support to the facilities, without taking steps to significantly increase accountability.

As outlined in the analysis (Attachment 1), HRM holds significant risks associated with the overall operation of these major facilities. As owners of the facilities that are being autonomously operated by separate entities, HRM assumes numerous areas of risk and liability over and above the risk that it holds in facilities operated by HRM staff. In the case of the board operated facilities, HRM is not able to effectively mitigate the risks since HRM does not have authority over the staff operating the facility and cannot provide additional oversight without impacting an operator's employer/employee relationship.

While the boards acknowledged the safety risks under the current governance model, many of the other risks to HRM were not fully recognized and acknowledged.

Creation of Regional Advisory Council (January 23, 2014 CPED motion, bullet 6)

In 2008, Regional Council approved the CFMP which regards multi-district facilities as hubs of recreation activity (p.47), likening them to the hub of a wheel, and the smaller less complex recreation facilities as the spokes. These larger facilities were meant to offer infrastructure and programming support to various smaller centres and perhaps offer a level of service, or uniqueness that could not be provided by their smaller partners. Alignment should be "...encouraged to develop mutually beneficial relationships that enhance operations at each facility." (CFMP recommendation #29, p.52) Alignment means that recreation programming offered throughout the entire HRM recreation portfolio can be streamlined to reduce duplication, redirect resources, and improve citizen experience.

The establishment of a Regional Advisory Committee (RAC) would allow for this integrated model to be implemented in a manner that ensures the recreation needs of citizens are determined in a comprehensive and regional manner, rather than specific to individual facilities or areas. By replacing the existing separate, specific facility boards with a regional committee, the RAC model would ensure that community input is achieved in a strategic manner both from a regional perspective and in a way to ensure community needs are consistently assessed in all areas.

The establishment of a RAC was supported by the Boards but as a mechanism which would allow for coordination among the facilities and augment the current structure without replacing the existing boards. Generally, the boards outlined a vision that was more of a coordinating committee for the existing MDFs which would enable better integration rather the "hub and spoke" approach for all recreation facilities as outlined in the CFMP. The establishment of a RAC in addition to facility boards, as proposed by the boards, would be a duplication of effort on initiatives that can be accomplished without an additional governance layer.

As well, the establishment of a RAC specific to the MDFs within the review would not be effective in moving forward on issues regarding standardization, coordination, cooperation, etc. Without consistent and clear governance, forming a committee with no accountability to Regional Council, nor any ability to enforce decisions on independently operated board facilities, is not going to realistically resolve the long term operational and financial issues facing the network of facilities.

Under the current model, collaboration opportunities have not been embraced. There are no restrictions within current agreements that preclude the facilities from cooperating on any issue relative to recreational service delivery even in the absence of a current RAC. As well, the current volunteer boards include members of Regional Council and have HRM staff ad-hoc participation. The fact that there have not been any meaningful attempts to improve coordination and integration within the network of MDFs is likely indicative of continued separation in their operations.

Universal MDF Community Access Plan (January 23, 2014 CPED motion, bullet 3)

HRM's current Community Access Plan (CAP) for the allocation of indoor ice time delivers upon HRM Council's Healthy Communities priorities of inclusion, accessibility and unstructured play. While the CAP is currently applicable to ice access, several of HRM's other initiatives have been structured to meet Council's Healthy Communities priorities, such as free swim lessons, open gym programs, accessibility programs, local/healthy food choices at facilities, etc.

Some of the MDFs have individually incorporated some of the principles of Council's Healthy Communities priorities into their programs and services. Others have been supported in the provision of programming to more vulnerable residents by the Provincial THRIVE! funding program. However, there is no consistency across the facilities with respect to program offerings, access and inclusion. With autonomous operation of each facility and a focus on cost recovery, several of the programs implemented

to meet the needs of residents under the Healthy Communities priorities are not aligned with the current operation of the facilities under the individual board's vision.

During the consultations, there was general consensus with the principles outlined in HRM Regional Council's Healthy Communities priority area. The Boards indicated they believed in community based programming which includes inclusion and access and they are willing to build upon their current program offerings. However, there was general consensus that the development of a plan required more clearly defined strategic objectives identified by HRM with opportunities to collaborate in order to achieve these goals.

Inclusion, accessibility and unstructured play are some of the key components in the vision of Regional Council's Healthy Communities priorities. These components, in particular, are critical to a recreation system that best meets the needs of HRM citizens. However without a consistent focus on Regional Council's Healthy Communities priorities across all of the MDFs, residents are not provided the elements of Regional Council's vision including universal access, standard programs and pricing, consistent safety practices and improved scheduling. While each community has their own individual needs in these areas, there are several consistent aspects which help to successfully meet these priorities across the entire recreation network. These include such examples as fee adjustments, opportunities to play outside of organized sports and opportunities for those with barriers to participate. Provision of these opportunities in a regional recreation network are best achieved through a universal community access plan. The boards have indicated that while the principles of HRM's Healthy Communities priority are supported, maintaining autonomous operation and meeting needs of specific community based user groups is challenged by HRM's Community Access Plan. Therefore, with the autonomous operation of the separate facilities, the current governance model does not enable HRM to fully provide residents with Regional Council's objectives under its Healthy Communities priority area.

Integrated Technology (January 23, 2014 CPED motion, bullet 4)

As part of HRM's Recreational Facility Technology Assessment, the multi-district facilities were reviewed to identify the degree of possible technology risk, and to document subsequent opportunities within the recreational facilities. Additionally, this process enabled staff to review the information technology functions within each specific facility, and to determine the best case direction to enable a coordinated system of service and program delivery regardless of facility governance model.

Overall the assessment found that the current network of systems is at risk of failure. The boards with the highest risk of failure have recognized the concern and have approached HRM to determine a long term solution. However, long term integration and coordination among the major regional facilities is not possible within the current technology structure. Without integration, risk of technology failure or obsolescence is significant and would adversely impact the service that can be provided to HRM citizens.

This is a complex group of municipally owned entities with no common software or applications, including in some instances, reliance on paper transactions in the millions of dollars. The lack of data integration and/or the complete lack of applications in some of the facilities results in privacy breaches, data duplication, data error, inefficiencies, as well as difficulty in collecting and summarizing data for analysis for decision making. Often times the data does not exist resulting in decision making based on incomplete or incorrect information. The integration of systems phased in over time would reduce the risk to the facilities and HRM.

Eventually, an integrated system would also allow HRM to improve ease of access by offering online registration for all HRM facilities and programs. An integrated system would help determine recreational needs for all citizens based on reliable comparable data to influence targeted investments. A coordinated system would allow for more strategic analysis of program offerings, prices, participations numbers, etc. One issue which could be more readily resolved with a common platform is a "one-client" membership. This is currently not available and although not impossible it would be very problematic to offer a coordinated membership without an integrated software solution. The work to develop an integrated ICT

capital and operational plan for the network of regional facilities is ongoing. It will ensure consistent applications, consistent services, failure reduction and improved data collection. If a board governance model is maintained, the provision of HRM delivered ICT technology and software including support and maintenance should still be provided to provide for efficiencies and standardization, as well as reduce risk. However, agreement from the boards would be required for HRM to implement integrated and standard technology in all facilities.

Standardization of Administration and Fee Structure (January 23, 2014 CPED motion, bullet 5)

These regional facilities generally operate in a silo, meaning there is no effective mechanism to routinely share initiatives with each other and HRM. Further, since each facility is operated by a separate legal entity, they are not able to easily share resources with each other and HRM. All programs and services are operationalized independently of each other, and often in competition with each other. As a result, the siloed operation essentially restricts the ability to share information, ideas, expertise, and experience in order to ensure the public are provided with programming and other services that are effectively and efficiently managed for both the facilities and HRM.

The move towards the standardization of safety practices, procurement, maintenance practices and fee structure across the regional network would not be able to be implemented in an effective manner and therefore is not feasible given the current wide range of governance models and employee structures. The CPED motion related to standardization of administrative processes is consistent with the Auditor General's recommendations in which the following areas of concern were noted:

- 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; and
- corporate culture does not stress the need for efficiency.

Currently, administrative processes cost in excess of \$4M at the facilities included in this analysis with the number of FTEs ranging from a low of 2 at St. Margaret's Centre to a high of 15 at Canada Games Centre for all back office administration processes. Based on the overall staffing levels, administrative staff represents 14.2%, on average, of the overall staffing complement. This percentage varies across the facilities with a 5.5% at Cole Harbour Place to a high of 19% at Canada Games Centre. Integration of administrative functions would enable some balance of staffing requirements and levels for the administration of the overall network.

Additional analysis has been completed regarding the opportunities for standardization of safety, procurement, maintenance and other "back office" administrative processes. Each area has opportunities for improvements. However, under the current inconsistent governance structure, there are also challenges to administer and implement consistent processes. The administrative processes that would provide the most reduction in risk to HRM as well as best improvement for users and citizens are safety practices, procurement standardization, maintenance practices and fee structure. However, in addition to having the most potential for improvements and risk mitigation, the analysis outlined in Attachment 1 indicates that these processes also have significant challenges to make marked improvements towards consistency under the current governance model. A summary of the findings related to each specific administrative function is outlined below with detailed analysis outlined in the attachment,

Safety Practices

As part of a larger HRM Corporate Safety initiative to inspect all of HRM's facilities for compliance with *The Nova Scotia Occupational Health and Safety Act* (the Act), both HRM operated and board operated facilities are being inspected. An initial review of fourteen facilities revealed a list of approximately 360 items identified which needed to be resolved to maintain compliance with the Act. The items ranged from general housekeeping practices, administrative processes for record keeping, to equipment requiring

replacement or repair. Of the 360 items, 40% fell into the high risk category and were prioritized for immediate action. HRM has worked diligently with the facilities to remedy almost 90% of all safety hazards.

This initiative raised the broader question of HRM's Occupational Health and Safety responsibilities for all community operated facilities. HRM has a wide range of agreements with various community boards that are responsible for the day to day operations and safety practices within these facilities. Furthermore, HRM supports these facilities directly via operational support and in some cases financial support. Where HRM has the greatest control over the community facility, it will have the greatest responsibility for occupational health and safety. However, in all cases, HRM holds a level of accountability, liability, and risk for the operation of the facilities, regardless of the governance model.

Safety issues and concerns for a facility of the size and complexity of the MDFs are not uncommon. As a result, safe work practices and protocols are critical to ensure that facilities are safe for users and risks to HRM are mitigated. However, a review of staffing at the eight facilities within the MDF project indicates there are no dedicated occupational health and safety resources in any of the facilities. Of further concern is that during the consultations, the boards and facility general managers indicated that additional support related to occupational health and safety is needed.

Due to the complexities within these large facilities, the most effective approach to standardize safety practices would be for safety requirements to be managed directly by HRM. This would ensure that safety requirements in the MDFs would be managed and addressed in a consistent manner to ensure that safety of the users is a priority. Further, since HRM holds responsibility for safety requirements under the Act, direct management of safety requirements would allow HRM to effectively mitigate risks and reduce liability.

While standardization of safety requirements could be accomplished while maintaining a board governance model, it would be challenging as a result of the varying governance models and individual facility staff. Since the facilities are operated by non-HRM staff, HRM cannot direct the work of the facility employees nor have oversight in the completion of their work. Under the current governance, HRM would need to outline the safety requirements directly to the board which, in turn, would be responsible for completion and compliance with the regulations. While some risks could be mitigated to a degree through this process, as the owner of the facilities, HRM would continue to be accountable for the operation of the facilities to the extent provided for under the Act. This accountability means that HRM would continue to hold significant risk but have no direct accountability to ensure the safety requirements are being managed properly.

Procurement Standardization

With the current multitude of governance models and the varying degree of control over the staff at these facilities, it is not currently practical to completely standardize the procurement processes without amendments to HRM's Procurement Policy. HRM's Procurement Policy is only intended to outline the process for the expenditure of HRM funds by HRM employees. Although the boards that operate the MDFs are independent legal entities and cannot be automatically bound by HRM's Procurement Policy, their purchasing activities are directly related to the provision of HRM recreation programming as well as the maintenance and improvement of HRM facilities. Since HRM is bound by the provincial *Public Procurement Act*, HRM is accountable for non-compliance by any individuals or groups acting on HRM's behalf. Without the ability to manage the procurement processes or individuals procuring the goods, HRM may hold risk for any non-compliance by the facilities.

The funds used in the operations of the MDFs are not defined as part of HRM's budget process and are considered third party funds. Further complicating the process is the status of the employees at the facilities. As HRM's Procurement Policy delegates authority from Regional Council through the CAO to staff, standardization of procurement processes using non-HRM funds by non-HRM employees would

require new regulations and processes that are also consistent with the provincial *Public Procurement Act*.

Maintenance Practices

Proper maintenance and operation of the facilities helps to mitigate risk and ensure the facilities are maintained in a state of good repair, are safe for users, and operating costs are effectively managed. While HRM is not responsible for the operation of the facilities, as the facility owner, HRM can be liable for any improper maintenance at the facilities.

Under the current governance model, the maintenance functions at the various facilities are not standardized. Without changes to the current structure, the lack of standardization is expected to continue as a result of employee status and circumstances unique to each facility. Under the current state, maintenance practices are the area with the most variety. There are two facilities fully maintained by HRM staff, two facilities with components maintained by HRM and others by MDF staff, and four facilities fully maintained by MDF staff. This complexity is further complicated by the fact that there is a mix of HRM non-union staff, HRM union staff, and both union and non-union MDF staff responsible for maintenance.

Operating costs vary for each facility based on factors such as age of facility, facility utilization and inventory types inside the facility. Deferred maintenance and capital work at some of the facilities may account for some of the variances in operating costs. However, savings and efficiencies can be achieved by standardizing maintenance and services such as cleaning, pool maintenance, rink operations, etc.

HRM's Municipal Facility Operations' staff currently provides all aspects of facility management services, augmented by contract services, to over 200 HRM owned facilities representing approximately 3.4 million square feet (sf) of buildings. HRM currently supports the facility management services with a staffing complement of 86 full time employees (FTEs). In comparison, for the eight facilities within this review, there are approximately 38 FTEs providing facility management functions to approximately 830,000 sf of buildings.

The maintenance and operations budget for the eight facilities under the current governance structure is approximately \$9.8M annually. A review of the total cost per sq. foot to provide these services is an average of \$11.91 per sq. ft. with a range of \$8.91 to a high of \$23.98 per sq. ft. When compared to HRM's current in house service delivery model, the estimated budget to provide the service is approximately \$6.6M. This would result in an estimated savings of \$3.2M or 33 percent annually from the current cost levels. This is an indicative cost assumption without the benefit of detailed facility inspections.

While cost savings through a standardized approach to maintenance are important for HRM taxpayers, consistent maintenance practices to ensure safe and consistent operations of the facilities are equally important. Since much of the risk assumed by HRM relates to the operation of these large, complex facilities, consistent maintenance practices are critical for HRM to mitigate risk, ensure the facilities are safe and reduce liability. Further, proper and consistent maintenance practices are necessary to ensure that the facilities remain in a state of good repair for the life of the asset, thereby protecting the municipality's investment.

Similar to safety requirements, while improvements in standardization of maintenance practices could be undertaken while maintaining a board governance model, it would be challenging as a result of the varying governance models and individual facility staff. With autonomous operation of the facilities, standardization would require agreement by the boards and their staff and take time to implement to a consistent approach. Even with improvements in standardization of maintenance practices, HRM would continue to hold significant risk but have no direct accountability to ensure maintenance is being managed properly since HRM cannot direct the work of the facility employees nor have oversight in the completion of their work.

Fee Structure

Currently, the cost recovery model creates pressures to increase program pricing in order to improve revenue, thereby increasing pressure on HRM and not for profit service providers to fill the “access gaps” in recreation programming. With this fee structure, there continues to be restrictions in affordability to many citizens to participate in programming at these facilities. As well, with inconsistent pricing there is confusion for citizens as to why prices differ at the various facilities when HRM is the owner of all the facilities. This varied fee structure also makes it challenging for the single membership option which in today’s recreational service delivery environment would appear to be a reasonable expectation. However, because of the nature of the current programming structure and the inherent difference in the ability of facilities to either reduce or increase their fees, the move to a standardized or harmonized fee structure would have to be undertaken over an extended period of time to minimize impact to the facilities, the users, and HRM taxpayers. Integration of the facilities and a regional focus across the network is necessary for consistent and effective standardization of fees.

The current cost recovery model requires each board to undertake adjustment to their facility programming operations to maintain a competitive position. This funding model is not working for the network of regional facilities. Program structure, including fees, are set autonomously by the individual facilities, which may allow an individual facility to attract and retain clients, but it does not ensure that HRM taxpayer’s investment in the entire regional network is the most cost effective and efficient recreation service delivery model. Pricing and policies are reflective of the individual facility’s strategic goals, capacity, and operational needs. User fees are higher in comparison to HRM operated facilities which creates an inappropriate barrier for many citizens to participate in a variety of recreation services. The pricing differences have led to a sense of inequality for some citizens, many of whom cannot afford some of the more expensive membership fees and unique programming that these facilities can offer because of their financial position. The current model supports the people who already choose to be active. It does not support equitable access for all citizens including new residents and other marginalized groups who typically do not participate in this traditional “no pay-no play” system.

In addition to adjusting fees to maintain revenue projections, program offerings and fee adjustments are both used as key components to maintain each facility’s unique identity and competitive positions. Since each facility is operated autonomously as separate entities, standardization of fees and a degree of program offerings would be difficult under the current structure. Consistency would need to be achieved in baseline program offerings in order to be able to harmonize fee structures, while also still being able to maintain offerings unique to each facility. Under the current structure with separate staff and individual operations, program expenses vary and fee structures are set accordingly by the boards. During the consultations, the boards indicated a desire to maintain this unique feature of each facility. As a result of this position, standardization of fee structures would not likely be achieved under a continued autonomous board governance model.

Costs and Benefits of Board Governance versus Direct HRM Control (January 23, 2014 CPED motion, bullet 2)

There are numerous components that have been analyzed to determine the costs and benefits of both a coordinated board governance model and direct HRM control model. In addition to technical data collection, an analysis of the various governance models currently existing in HRM’s hybrid recreation service delivery model along with their impacts was completed. Details of the hybrid models, assessment of the various operational functions and challenges along with the analysis on the costs and benefits are outlined in the attached document (Attachment 1). A summary of the costs and benefits is outlined below.

Direct HRM Control

Preliminary financial findings based on the 2014/15 annual expenditure budget estimate indicate eventual net savings of approximately \$3M through a transition to HRM direct control (Table 6, Attachment 1). The total facility operations and administration for the MDFs were collectively determined to be \$14.5M. HRM

estimated costs for the operation of the facilities is \$11.4M. The administration includes general management, sales, finance, marketing, customer service, ICT, Legal and HR. It should be noted that potential savings do not reflect any potential transition costs which would be outlined in a transition plan.

In addition to financial savings, there are significant operational and administrative benefits to direct HRM control including:

Risk Mitigation:

- Increase capability for Occupational Health & Safety legislation compliance
- Limited legal support to the MDFs
- Leasing Oversight
- Consistent maintenance practices
- Increase implementation and control over technology systems

Consistent Administrative Functions:

- Process efficiencies
- Procurement compliance
- Consistent reporting
- Consistent HR process, policies and performance management
- Standardized corporate brand marketing and messaging
- Common ICT platform; simplified and standardized environment
- Improved ability for data driven decision making
- Consistent recreation service delivery for citizens

These benefits would be achieved under the recommended direct control model outlined in the staff recommendation.

Coordinated Board Model

In comparison, the changes/expenditure reductions necessary to be able to realize the same level of savings is not likely to be achieved under a coordinated board model since the facilities would still continue to be operated by separate legal entities.

Apart from the financial impact, other benefits were determined under a coordinated board model including:

- Direct community involvement in the operation of the facilities
- Arms-length relationships can provide a good deal of autonomy and freedom for the individual centres, in programming, operational processes and initiatives
- Quicker adaptation to new ideas and initiatives may be possible
- Management ability to respond to the community needs as they see appropriate
- Opportunities could be available, such as funding from donors or other supports, to the operating bodies that may not be available if HRM directly operated these facilities.

These benefits are also currently outlined in the status quo model in which all facilities are operated in separate autonomous manners. A more coordinated board model could be expected to increase the impact of these benefits, but without changes to the separate entities operating each specific facility, the benefits would not be far reaching, nor would they include a clear mechanism for HRM to be able to influence or direct the implementation of Regional Council's vision related to its Healthy Communities priority area.

Cost Recovery Model (January 23, 2014 CPED motion, bullet 1)

The overall financial viability of the network of facilities is still problematic. Although some individual facilities are currently operating in a positive position, the overall financial state of the network is negative, operating with annual deficit of approximately \$1.3M. The current cost recovery model is not able to meet

this objective and realistically has not been a viable model for an extended period of time. Furthermore, as long as there is no mechanism to curtail expenditures by the volunteer boards, then HRM has no immediate ability to control these costs. In fact, the current model enables each facility to "own" their revenue which tends to drive increased facility expenses for some facilities while others regularly operate at a deficit with HRM payroll support to offset cash flow challenges. Transitioning the outstanding operational and capital debt will enable the regional network to re-establish expenditure and operational control. As well, a system of shared revenue would enable a regional approach to the overall recreation network, ensuring that funding is allocated appropriately and in those areas where it is most needed. Shared revenue would help to balance the level of recreation service being provided to all communities.

Since the 100% cost recovery model is not sustainable, it is recommended that the MDFs operate in a model similar to the existing HRM operated facilities. This regional funding model would remove the 100% cost recovery requirement, however, any subsidies would be informed by Regional Council's budget process, taking into account the surpluses and deficits accessed collectively by the regional network of facilities. In those cases, annual budgets and related business plans would be approved by Regional Council to ensure both costs and revenues are appropriate. Under the current governance model, there is no mechanism to ensure that costs and revenues are appropriate for the facility operation. Further, as indicated in the Auditor General's report, a number of the ABC's function independently from HRM for a variety of reasons. As a result, there is little accountability to HRM for the financial management and stewardship of funds by the volunteer boards.

Therefore, there is risk that additional debts would be incurred if HRM initiated the absorption of the outstanding operating and capital debts of the facilities without a significant increase in accountability to ensure debt does not reoccur in the future. By aligning the budgets and business plans with HRM processes, HRM would have an effective administrative mechanism to ensure debts do not re-occur, appropriate expenditure controls are in place and any cost reductions are able to be shared across all HRM owned facilities. This would mitigate the financial risks that HRM, and ultimately the taxpayer, is faced with as a result of the current autonomous operation of the major recreation facilities.

Employee Status

In addition to the components outlined in the CPED motion, the assessment of the employee status is a critical component that impacts the operation of the facilities and therefore is a necessary consideration in the assessment of the governance of the facilities. Details of the potential impact to the employee/employer status is outlined in the attached analysis,

The recommendation by the boards to continue board autonomy, while indicating the requirement for additional HRM support is problematic. HRM cannot take additional oversight without impacting the operator's employer/employee relationships. As the volunteer boards oversee their employees, HRM must ensure an appropriate level of support is provided without directing the daily activities of the facility staff. Therefore, HRM does not have any ability to effectively influence the administrative functions, assess staffing requirements, and drive operational efficiencies. HRM needs to consider the potential impact on the relationship between the operators of the facility and their employees when outlining direction and oversight related to the operation of the facilities so as to not alter the employer/employee relationship. As a result of the potential impact to the employee status, the current governance structure limits HRM's ability to oversee the overall operation and maintenance of its assets as well as delivery of recreation programs and services by operators of the facilities. As outlined in the in-camera report, there are significant risks associated with the operation of these facilities. As a result of its limited authority in the operation of the facilities, HRM is not able to effectively ensure that those risks are mitigated in a manner that ensures that citizens have access to a safe and efficient network of facilities.

Further, since the current governance and related autonomous relationships with the facilities limits the amount of oversight and influence Regional Council can have in the operation of its major facilities, HRM has no ability or authority to affect changes to the administrative functions within the operation of the facilities. As a result, HRM is not able to implement efficiencies in the various administrative functions as

outlined in the Auditor General's recommendations on the Administrative functions within HRM's entities governed by an ABC (Agency, Board or Commission).

Equally problematic is the current relationship at the Halifax Forum. The board is currently directing the work of HRM employees, who are the responsibility of the Chief Administrative Officer. These HRM employees are directed by HRM and fall under all HRM employee policies, procedures and direction. This is an obvious conflict and not an appropriate employer/employee relationship.

Realigning the governance to include direct control by Regional Council would enable HRM to ensure that the appropriate employer/employee relationships are established in each facility. As well, it would enable common pay scales, appropriate staffing levels and opportunities to share of resources, versus the current situation where all facilities have separate staffing with limited opportunities for efficiencies and competition between facilities for employees is common.

Summary of Analysis

With the technical analysis and consultation covering numerous components, a summary of the findings is best summarized in a table for clarity.

Component	Direct HRM Control	Board Governance
Board consultation	Not recommended by boards – loss of community input	Recommend status quo of autonomous board governance
Cost Recovery vs. public good	Cost recovery across entire recreation network rather than individual facility	Cost recovery not sustainable and impacts public good
Financial Costs and benefits	Eventual estimated savings of \$3M, reduced risk for HRM and improved administrative processes	Minimal cost savings without changes to multiple legal entities, community input and potential for fundraising
Community Access Plan enshrining Healthy Communities priorities	Ability to implement consistent community access plan and healthy community priorities	Boards agree with principles of healthy communities priorities but recommend autonomous operation of facilities. Funding will continue to be a challenge.
Integrated technology	Consistent implementation across HRM	Implementation possible through contracts between HRM and Boards
Standardized administration:		
- Procurement	Consistent Procurement Policy administration	Changes required to contracts and Procurement Policy to improve consistency
- Maintenance practices	Consistent maintenance with other HRM facilities	Changes to contracts and additional oversight by HRM required to improve consistency
- Safety practices	Consistent safety practices with other HRM facilities	Board indication that additional support required from HRM to meet safety regulations
- Fee structure	Fee structure able to be implemented across HRM network by Regional Council	Conflicts with autonomous operation and cost recovery requirement. Changes to contracts required to implement.
Regional Advisory Board	Would provide community input for overall recreation service across HRM	Duplication of current boards and limited ability to influence change

Component	Direct HRM Control	Board Governance
Other issues - Employee Status	Potential to clarify legal employee status	Potential risk to HRM and boards related to employee status, limited oversight permitted by HRM

Sackville Sport Stadium Community Board

In the spring of 2002, HRM was made aware of an annual deficit at the SSS which brought the accumulated capital and operating debt to \$1.15M. As a result, Regional Council directed staff to carry out an operational review of the Sackville Sports Stadium (SSS). In May 2003, Regional Council directed that a transition team oversee the transfer from the Lake District Recreation Association to the eventual placement of a volunteer board focussed solely on the operations of SSS. As a result of that direction, HRM assumed operating responsibility for the SSS in August 2003. An interim General Manager was hired under an employment contract with HRM to manage the SSS and the HRM staff operating the facility during the transition period until work was completed on the financial stabilization so a new management agreement and Board could be put in place. However, financial stabilization was not achieved and the new management agreement and board were not put in place. The interim general manager remained under an employment contract and the facility continued to be operated by HRM staff.

With Regional Council’s direction in the fall of 2011 to include the SSS in the Multi-District Facility review, coupled with an organizational realignment, the SSS was transitioned into a HRM operated facility, similar to other recreation facilities which are operated by HRM staff. Through that process, SSS transitioned from a separate component in the consolidated financial statements to become part of the Parks & Recreation budget effective 2015/16. Since this time, HRM staff has improved safety, cut forecasted deficits through expenditure control, reduced fees, and expanded programming.

As outlined in the analysis completed as part of the MDF project, direct HRM control over the operation of the major recreation facilities reduces the risk to HRM and provides consistent recreation service delivery to HRM citizens. Under a direct control model, HRM would be able to ensure facilities are maintained in a consistent and safe manner, administrative processes are standardized and consistent as well as recreation programming enshrines Regional Council’s Healthy Community priorities of inclusion, accessibility and unstructured play. Further, since SSS is currently operated by HRM employees, there would be some challenges related to employee status by transferring the operation to a community board model. For these general reasons along with the detailed analysis outlined in Attachment 1, it is recommended that the current HRM operation of the SSS be maintained. Implementation of a regional advisory council as recommended supplementing the HRM direct control would provide community input to ensure recreation programs and services at SSS and other facilities meet community needs for HRM residents.

Conclusion

The current governance models are complicated and lack overall consistency and HRM remains in a restricted and reactive situation. More importantly, HRM holds significant risk and potential liability associated with the operation of these facilities. The operational, financial and community pressures experienced at the facilities will remain if the silo approach to recreation service delivery is continued. To effectively implement the objectives and priorities set out by Regional Council, a consistent “one recreation model” would provide the public with a more accessible level of recreation service delivery model.

With the significant operational, financial, and community pressures being experienced at these facilities, it is prudent for HRM to take a regional approach to the operation of the MDFs and overall recreation service delivery to ensure that operations are effectively and efficiently managed for the future and that the services provided meet all community needs while also aligning with Council’s priorities. A regional integrated network of facilities with direct oversight by Regional Council would ensure consistent

administrative functions, reduce administrative costs, generate process efficiencies, and provide clear/transparent reporting. In addition, access to a common ICT platform would provide an opportunity for a standardized service environment with improved services and data to make informed policy and programming decisions. This integrated, regional approach to recreational service delivery would mitigate risk to HRM. Risk management is a very complicated, difficult and resource intense process under the current governance model.

Community involvement in recreation planning is important to make sure community needs are met. As volunteer capacity becomes increasingly limited, the focus of their involvement should be in areas where they can add the most value, providing community input and making recommendations to HRM to support optimal program service delivery. This would have the most positive impact for the volunteers, the community, and HRM.

Overall, the analysis and consultation indicates that HRM needs to improve its ability to provide recreational services, maintain safe operation of critical infrastructure, mitigate risk, optimize expenditures, and enhance service delivery. In order to achieve this, changes to the governance approach must be considered.

FINANCIAL IMPLICATIONS

The initial analysis has indicated that transfer of the oversight of the facilities to direct HRM control could achieve eventual significant savings, which would be realized after transition of the facilities was completed. The proposed transition plan would provide detailed financial information to confirm initial cost requirements, overall estimated savings as well as debt absorption amounts. Should Regional Council direct that debts be absorbed by HRM, the debt would need to be absorbed into HRM's future operating budget and debt calculations.

In order to ensure efficient and effective completion of Regional Council's direction related to the future governance of the facilities, the work would need to be focussed and implemented by a transition team to ensure all applicable components are addressed. It is expected that resourcing for the transition team can be allocated from existing HRM staffing levels. The scope of the work required for the transition would be dependent on the direction from Regional Council.

COMMUNITY ENGAGEMENT

Consultation was completed with the Facility Boards and general managers which is comprised of members of the public. Further, the Director of Parks & Recreation met with all of the Board Chairs during August 12 -14, 2015, to confirm the general findings of the workshop, except for Alderney Landing.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

ALTERNATIVES

There are a myriad of alternatives which Regional Council could consider for the operation of the network of facilities. However, the majority of those would result in further decentralization and inconsistency in recreation service delivery to citizens. Further, they would increase the risk to HRM, the facility users and HRM taxpayers. Therefore, should Regional Council chose to implement an alternative, it is imperative that the safety of facility users, financial impact to taxpayers and risk to HRM be mitigated.

1. CPED could choose to recommend that Regional Council direct staff to develop standard board governance model for the facilities and implement new agreements that achieve the following objectives:
 - a. Establish a regional funding model;

- b. Initiate the absorption of the outstanding operating and capital debts of the facilities;
- c. Align annual budgets and business plans with the overall HRM budget process including requirement to meet budget targets and approval by Regional Council;
- d. Provide for the provision of HRM delivered ICT technology and software including support and maintenance;
- e. Restore appropriate and legally defined employer relationships for the operation of the facilities;
- f. Support completion of a HRM safety review of all facility maintenance, operation and processes and subsequent agreement of resolution of all findings; and
- g. Outline clear community access requirements and initiates implementation of consistent pricing and membership model to enable a "one-client" model across all facilities.

The merit of this alternative is that the boards remain autonomous while the new agreements would achieve initial steps for HRM to mitigate risk, share data, and align expenditures and programming.

2. CPED could choose to recommend that Regional Council direct that the current hybrid recreation service delivery model be maintained and direct staff to return to Council with updated management agreements and debt repayment plans on a facility by facility basis, along with a report on next steps in creating a RAC. This is not recommended as operational efficiencies and integrated service delivery would continue to be significant challenges. Further HRM would continue to hold all of the risk for the operation of the facilities without the authority to mitigate the risk. In addition, financial analysis has shown that overall facility debt repayment is not achievable under the current structure.
3. CPED could choose to recommend to Regional Council to remove or add a specific facility to the staff recommendation or alternatives.

ATTACHMENTS

Attachment 1: Multi-District Facility Project Phase 2 - Governance Supplemental
Attachment 2: Letter dated October 9, 2014 MDF Boards

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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Attachment 1

Halifax Regional Municipality (HRM)
Multi-District Facility Project - Phase 2
Governance –Supplemental

Table of Contents

Origin.....	3
History.....	3
Current Situation.....	5
Board Consultation Summary.....	6
Governance.....	7
Standardization and Integration	8
Community Access and Guiding Principles	9
Summary of Additional Analysis.....	9
Creation of Regional Advisory Council.....	9
Universal MDF Community Access Plan.....	10
Integrated Technology.....	11
Standardization of administrative practices and fee structure.....	14
Costs and Benefits of both board governance and direct HRM control.....	23
Cost Recovery Model.....	32
Summary.....	33
Appendix 1.....	35
Appendix 2.....	36

Origin

The Multi District Facility Project was initiated by Regional Council in November of 2011 to improve accountability, reporting and alignment associated with the multi-district facilities (MDFs). Regional Council outlined a two phase strategy to address the MDF deficiencies. Phase 1 focussed on accountability and reporting processes and was declared complete by Regional Council in March of 2013.

The next step undertaken was an administrative review which included governance of the eight facilities within the scope of the MDF project. Staff completed the administrative review and submitted a report to the Community Planning & Economic Development (CPED) Standing Committee in January 2014 seeking direction to consult with the MDF Boards on the establishment of a Regional Advisory Committee(s) structure and to develop a transition plan to transfer direct oversight of the MDFs to Regional Council. CPED referred the matter back to staff for a supplementary report that included consultation with the MDF Boards before direction on the future governance would be provided.

To properly complete the supplemental review, multiple tasks and components of analysis were undertaken. The components analyzed in order to inform a response to the CPED motion included:

- Volunteer Board Consultation;
- Review of Occupational Health and Safety Responsibilities;
- Recreational Facility Technology Review;
- Procurement Practices;
- Facility Maintenance Services;
- Payroll Services;
- Human Resource Support; and
- Legal Advice.

This additional analysis further informs staff's recommendations regarding the future governance model for the MDFs and contains additional context information from the original report to CPED in January 2014

History

In March of 1996, a report surrounding major recreation facilities was presented to the newly formed Halifax Regional Council. The former cities of Halifax, Dartmouth, and the former County each operated recreational facilities independent of each other prior to amalgamation. This fragmented structure was transitioned into the newly amalgamated Halifax Regional Municipality. As a result, upon amalgamation, the existing facilities continued to be operated with no region-wide coordination of recreational service delivery, but rather focused on their individual communities. The current structure in place today can be traced to the transition of these recreation facilities and the decisions made in 1996. The report submitted to Council in 1996 was an attempt to initiate some integration to ensure equitable service delivery of recreational services.

The 1996 report recommended that HRM negotiate management agreements with Cole Harbour Place (CHP), Dartmouth Sportsplex (DSP), Sackville Sports Stadium (SSS) and Centennial Arena. These agreements were intended to permit recreation facilities to be operated by arm's length community groups, assuming corresponding community input and representation. Life cycle planning was also expected in these agreements, in conjunction with HRM's staff. Participation of General Managers (GMs) and HRM staff was also expected on a regional facilities committee. It further recommended that there be direct HRM operation with advisory board models for Captain William Spry and Halifax Forum. Council deferred the management arrangement regarding SSS and the Halifax Forum until meetings could be held between the representatives of the then current management boards and HRM. While the rationale is not clearly outlined, subsequent to that Council direction, slightly different actions were implemented. A lease agreement was negotiated with Community Builders Inc. for the operation of Cole Harbour Place. The Halifax Forum governance model was not changed and remains the same with a community board in place, however, with HRM staff. SSS was subsequently managed under a volunteer board until August

2003, when Regional Council directed HRM to assume operating responsibility. That direction further outlined that the HRM operating responsibility remain in place until work was completed on a financial stabilization plan. The governance direction outlined in the 1996 report was thought to allow for complete integration of recreation and leisure services regionally (or in a given community).

A summary of the 1996 report indicated some the following:

- The facilities were said to share one characteristic, a sense of being a community facility and not just a recreation facility. During this time, these facilities served a given community. They were a source of pride and identity for these communities. As such, these facilities generally served a local population rather than a regional population.
- Their arms-length position was thought to offer more funding options and make them less reliant on HRM funds, citing bingo and fund-raising as alternate sources of revenue. They were also thought to have sound financial planning.
- Volunteer board members were regarded as making substantial contributions, being extremely committed, having diverse skills and ensuring community input.
- Performance measures were inconsistent, as was life cycle and maintenance planning.
- There was little communication or cooperation between the facilities. Each was said to have different budget and accounting processes and little coordination in programming, maintenance, purchasing, training, etc.

In reviewing the above history, there are a number of challenges which existed then which are still relevant in today's environment. In addition, there are new additional challenges that require that the overall focus of the regional facilities needs to be adjusted to an integrated system recognizing larger catchment areas with more diverse and complex recreation offerings. The volunteer board model has not resulted in stronger financial positions as was envisioned with financial viability becoming the prominent success indicator of MDF programming. Rather, the financial position of the facilities generally remains a state of growing concern. More concerning, the financial state of the facilities creates fiduciary concerns and potential risks for the volunteer boards, which is the opposite of the rationale for the community board model.

Then, as now, HRM mandates were often not the primary focus. Similarities still exist in that performance measures are inconsistent (or simply not present) and communication while improved is still limited between all the facilities. As a result, there have been minimal economies achieved in purchasing, procurement, business processes or programming. HRM and the facilities are working on these various issues; however, the current arms-length structure continues to pose challenges to progress.

Operational conditions surrounding these facilities have changed significantly since their inception and continue to change. There is now the presence of 24-hour private sector fitness providers and an abundance of external competitors that were not present in 1996. In addition to external competitors, a key aspect which cannot be overlooked is that HRM has increased its own number of recreation facilities. As well, census data shows that HRM's overall population is aging and, as a result, the needs of HRM's population are evolving. This, along with other demographics, such as increases in two working parent or single parent households, has increased and changed citizen's expectations of these facilities and their programming. Societal changes in regards to smoking have significantly reduced revenue from bingo operations. The introduction of gambling through VLTs has had a further decline of bingo revenues, which were a significant component of some facilities' revenue streams in earlier years.

In addition to these changes there are increased insurance, health and safety issues, labour laws, privacy legislation in regards to freedom of information requests, and maintenance requirements in today's operational environment. The impact of the *Patriot Act* as a result of terrorism acts has resulted in administrative challenges surrounding information technology, insurance requirements and procurement requirements. Coupled with the changing business environment as a result of entrepreneurial involvement in the recreation fields, there have been significant changes since the original agreements and governance models were implemented.

Commuting greater distances to participate in recreational activity such as aquatics lessons and ice programming is a norm today. Regional centers as outlined in the Community Facilities Master Plan (CFMP) were to be integrated with the program offerings of the entire recreational network. This would enable not only more efficient and effective service delivery, but equally important it would ensure recreational programming was offered where the majority of citizens could access the particular programs. Some travel is to be expected for more elite levels, however, group exercise or children's programming expectations are that all facilities will offer similar access and levels of service.

Volunteer involvement has also changed since the inception of the community boards in terms of expectations, capacity, participation, working families, available free time and the age demographic. The trends suggest that today's volunteers are looking for shorter-term specific commitments. With fewer volunteers interested in longer term board commitments, turnover is not happening as often and fresh community input is received at a much slower rate. Another challenge for volunteers is that under the current governance model, expectations, responsibilities and required skill sets are substantial. HRM requires volunteers to be accountable for infrastructure, finances and overall facility operation, meaning less attention is able to be spent on community programming and initiatives, which was a main part of their original intended mandate. As well, based on the complex operations of these large facilities, community boards and their individual volunteers are required to assume significant fiduciary and management responsibilities which may be beyond their expectations and comfort levels.

Current Situation

HRM has a significant number of recreation assets which have a footprint of approximately 2 million sq ft (190,000 sq metres) or 45 acres (18 hectares). This network of facilities utilizes approximately \$45 million in annual operating expenses to provide recreation services to citizens. Based on the current governance models of the various facilities, 70% of those expenditures are for facilities that are operated by community boards and, as such, fall outside the direct control of Regional Council. The MDFs are a significant portion of the recreation footprint and expenditures. The MDFs range in size from 10,000 to 12,000 square meters. These MDFs typically serve populations of 60,000 to 80,000 citizens. Based on the overall replacement value of HRM's recreation portfolio which was determined to be \$553 million (2011 dollars), these facilities represent a replacement value of over \$230 million.

The eight MDFs included in the review represent 39% of the total square footage and 42% of the estimated replacement value of HRM's recreation facility portfolio. Further, with expenses exceeding \$23M, these eight facilities represent 51% of the annual operating expenditures of HRM's recreation facility portfolio. Based on this, the MDFs are a significant component of HRM's recreation service and need to play a pivotal ("hub") role in service delivery.

Overall, recreation service in HRM is currently delivered through a hybrid system without a regional focus. This system currently uses eight governance models in the operation of HRM facilities to provide recreation programs and services. These models include:

1. HRM staff operated based on Council direction;
2. Volunteer board operated based on Council direction and with HRM staff;
3. Volunteer board operated based on Council direction with non-HRM staff;
4. Crown corporation operated based on Council direction with non-HRM staff;
5. Volunteer board leased building operated with non-HRM staff;
6. Third party contractor based on Council direction with non-HRM staff;
7. HRM staff operated, provincially owned facilities based on Council direction; and
8. Volunteer board operated, provincially owned facilities based on Council direction.

Within the regional facilities outlined in the MDF project alone, four of these models exist. Through several of the models, the facility is operated by a community volunteer board with direction outlined in

agreements. As the agreements outline the responsibility for community groups to operate the facilities, Regional Council, and therefore HRM staff, does not have direct ability to influence or oversee the operations to ensure HRM requirements and strategic direction are met. As a result, this current governance model results in volunteers being responsible for the operation of recreation facilities and programs, rather than Regional Council which was elected by the public to ensure their needs were met and, as such, is accountable.

The requirements for cost recovery have created a culture of competition between HRM, not-for-profit service providers, private sector businesses in addition to the other MDFs. This culture of competition further creates a focus on increasing revenues, rather than cost efficiencies. This increased focus on revenue creates additional pressure on capital demands for new service expansions and capital improvements to attract new users in order to further supplement revenue. As well, the increased focus on revenue has resulted in many commercial leases within the facilities, rather than using the space for recreation programming. This practice has driven HRM to have to find alternate space for programming in order to meet recreation needs for residents and has changed some of the facilities to more commercial uses rather than recreation or other public uses. In addition to operating pressures, the competition often results in increased pricing for user groups. Not only impacting users, these price increases also create additional pressures on HRM and the not-for-profit service providers to fill the affordability gap, often generating expectations for new or enhanced facilities.

Even with the revenue and commercial focus, the network of the facilities has not been financially stable. Currently, the network is operating with an annual deficit of approximately \$1.3M and an overall consolidated capital and operating debt of \$9.3M. While the debt owing as a result of the facilities is close to \$10M, there have been recent changes which reduces the actual amount owing to HRM from the facilities. As a HRM operated facility, the capital debt at SSS has been absorbed by HRM. Recent Council direction has changed the approach related to area rates and, as a result, the St. Margaret's Centre (SMC) area rate which was put in place for repayment of a capital debt at the facility will be absorbed by HRM. As a result of these changes, the debt owing to HRM from the facilities has been reduced but is still currently over \$7M. The overall financial health of the network will continue to be a concern as there is no mechanism to ensure a regional approach to funding within the current governance structure. With individual mandates and budgets, there is no ability to ensure funding is allocated and shared appropriately and in the most effective areas. As well, due to the concerns associated with the current financial state, the facilities look to HRM for additional administrative and financial support in order to offset costs. Under the current governance model, how HRM provides this support has the potential to impact the relationship between the operators of the facilities and their employees. This challenge is outlined in more detail in the Staffing section later in this document.

In addition to financial challenges, operational challenges exist in the current structure. In recent reports, HRM's Office of Auditor General provided recommendations for provision of administrative functions that speak to 'providing a consistent delivery model', 'leveraging HRM services', and 'sharing leading practices to increase efficiencies within the overall group'. These recommendations cannot be implemented under the current governance structure and associated business model.

The numerous variations in governance, as well as these operational challenges, create complexities and confusion for user groups, staff and the public. The complexities also create additional challenges in the implementation of a regional focus in the delivery of recreation and create a departure from Regional Council's Healthy Communities focus area requirements of inclusion, accessibility and unstructured play. Therefore, a simplification of overall governance structure is necessary in order to be able to achieve the overall benefits and provide the best recreation service delivery to HRM residents.

Board Consultation Summary

The initial MDF report to CPED did not include consultation with the current volunteer boards of the facilities as the review was primarily administrative. The original direction from Regional Council was to review the accountability, reporting and alignment associated with the facilities. As a result, the analysis at that time was focused on understanding the operating systems and internal processes required to

provide the impact of the eight governance models on this service delivery model. The initial report to CPED provided direction for staff to assemble the first cohesive set of cross-facility operating data since the development of these facilities, and facilitated a corporate review by the facility owner, HRM. With the direction provided by CPED, consultation has been able to be completed and sessions have since been held with the Board representatives and their respective General Managers.

Staff conducted consultation sessions in September and October 2014. The intent of these sessions was to facilitate an open and transparent dialogue on the current recreation service delivery model and provide the Boards with an opportunity to discuss the challenges and benefits with the current operating models. The Board representatives and General Managers indicated their objectives of participating in the workshops were that HRM would allow them to be heard, gain clarity on the relationship with HRM and have an opportunity to share best practices and collaborate on processes. HRM staff structured the workshops under the following three headings to ensure all parties shared the necessary information in order to ensure Regional Council was provided information from the Board's perspective:

1. Board Governance
2. Standardization and Integration
3. Community Access and Guiding Principles

1. Board Governance

In relation to governance, the Boards unanimously recommended that the volunteer Community Boards remain intact and have continued autonomy in the operation of their respective facilities. It was felt by the Boards that the Community Boards provide HRM with the best direct connection to the community. Furthermore, the Boards and their representatives felt that the Community Boards encourage and foster a sense of community pride, leadership, and empowerment. While the Boards felt they should remain autonomous in operating HRM's facilities, they recognized the need for greater cooperation to ensure positive results for all citizens.

While the volunteer boards felt strongly that autonomous operation should remain, there was also an indication that additional direction and support from HRM was required. The boards acknowledged that they did not have the resources or skillset to be able to fully meet current Occupational Health and Safety regulations and, as a result, felt additional HRM resources should be allocated to assist with those aspects. The boards also indicated that clearer direction from and collaboration with HRM was required to ensure that HRM's strategic direction was implemented.

The need for updated management agreements was an aspect which all parties agreed needed to be resolved. Clear mandates with an accurate reflection of the governance relationship with HRM, including clear priorities, would enable the facilities to be more accountable for the delivery of recreational services. Included in this discussion was the recognition that the integration of operational practices and coordination between the facilities is an area for improvement for all facilities.

The volunteer boards indicated that a major area of concern was the lack of consistent information technology and software solutions. There was consistent indication that standardization in a wide range of areas such as programming, financial management and scheduling would allow for more efficient operation of the facilities. There was also discussion surrounding procurement, insurance and auditing functions which were recognized to be areas in which standardization could be undertaken to reduce administration and increase efficiency.

The establishment of a Regional Advisory Committee (RAC) was supported by the Boards but as a mechanism that would allow for coordination among the facilities and augment the current structure without replacing the existing Boards. The Boards did not envision an overall model which would support the "hub and spoke" approach as outlined in the CFMP but rather a coordinating committee for the existing MDFs which would enable more consultation with HRM staff. The terms of such a committee would have to be developed and the RAC could ensure Regional Council's strategic direction is

communicated and implemented across the various facilities. It could facilitate best practices and the coordination of program delivery.

The Board representatives felt that the community is well represented and has access to the programs and services necessary to meet the needs of the citizens. It was put forth that HRM needed to better articulate the intent and scope of what the expectations were in regards to community access and guiding principles. The Boards were willing to incorporate a plan, however, they felt additional discussions are required to ensure all partners are aware of the plan and its objectives. HRM initiatives such as Healthy Communities, which is meant to address inclusion, accessibility, and unstructured play, were cited as areas where the Boards felt the establishment of a RAC would ensure initiatives could be coordinated across the network of facilities.

2. Standardization and Integration

Discussion took place regarding areas in which standardization and integration could take place, with the focus being on the requirement for a standardized ICT platform to provide uniformed financial reporting and enhanced program service delivery. In order to have a more detailed discussion surrounding standardization and integration, staff conducted an additional workshop with the facility General Managers. The discussion areas focused on where operational (building, programming, scheduling) and administrative (finance, human resources, ICT) efficiencies could be achieved.

A standardized ICT approach would also allow for more efficiency in regards to administrative functions, The IT integration could enable standardized membership with the ability to consistently track data. Additionally it would provide for standardized accounting practices and report formatting, and uniformity in financial reporting. Arena scheduling software would also enable the facilities to provide up to date ice availability to user groups. There could be overall coordination and shared services in marketing and promotions, in addition to local and individual facility promotions. A move towards standard insurance, audit, and procurement processes, as well, were noted as areas for efficiency and consistency.

The topic of administration also reiterated the requirement for a common ICT platform to enable the standardization and coordination among the facilities. It was also expressed that the role of HRM procurement policies and procedures be clarified so that the facilities are able to have clarity on the level of support available. They felt that the current HRM procurement process is confusing and inconsistent and a clearly articulated policy is required to ensure consistent standards and efficiencies can be achieved. The majority of the facilities' General Managers indicated even though the staff at the facilities were not HRM employees, a dedicated HRM human resource professional to assist with recruitment practices, address staffing concerns and provide overall HR professional support would be beneficial, which is not a resource they currently had available. However, one of the facilities has HR staff capacity and has offered the resource to support the other facilities. Regarding financial administration, each General Manager felt that each facility required their current specific staffing model, as their duties often extended beyond accounting functions. As a result, they did not feel that full integration of financial administration should be explored.

There were also opportunities expressed to review programing in regards to youth access to gyms and pricing of memberships and programs and coordination of program and facility availability across the network (e.g., ice time, pool times, gym time, etc.).

One of the primary operational pressures cited was in regards to the increased demands surrounding Occupational Health and Safety Legislative requirements surrounding the operation of these complex facilities. The facilities indicated that they do not have the staff capacity or in depth subject matter knowledge to ensure the level of safety is meeting all regulatory requirements. The Boards indicated that the facilities should have access to a dedicated HRM staff resource to provide support to the MDFs to have access to this expertise and to ensure consistency in the facilities.

3. Community Access and Guiding Principles

With respect to programming, it was agreed that better integration is required between the facilities and HRM recreation. It was expressed that to ensure better integration where appropriate, the MDFs and other partners could participate in the early stages of initiatives to ensure the maximum impact for the community and promote facility utilization. A common membership system was discussed and all were open to exploring this option further. The Boards indicated that further direction was required from HRM in regard to fee structures and to ensure they were aligned with HRM's mandate to provide recreational opportunities for the entire community. One of the key requirements to improve service to citizens is a standardized ICT platform. Standardizing financial and programming data would enable web based program service delivery, including centralized arena and facility scheduling.

The position outlined in the consultations was reiterated in a joint letter provided to HRM from the boards (Attachment 2). The overall position of the boards is for continuing autonomy, along with additional HRM support in certain areas. However, this position is particularly problematic. As outlined in the analysis (Attachment 1), HRM holds significant risks associated with the overall operation of these major facilities. As owners of the facilities that are being autonomously operated by separate entities, HRM assumes numerous areas of risk and liability which are not able to be effectively mitigated whereby HRM cannot provide additional oversight without impacting the legally defined employer/employee relationship.

Summary of Additional Analysis

In addition to the board consultation, CPED requested additional technical information. Further data collection and analysis was completed to provide an overview for each of the main topics outlined in the CPED motion, namely:

- Creation of Regional Advisory Council
- Universal MDF Community Access Plan
- Integrated Technology
- Standardization of administrative practices and fee structure
- Costs and Benefits of both board governance and direct HRM control
- Cost Recovery Model

Creation of Regional Advisory Council

In 2008, Regional Council approved the *Community Facilities Master Plan (CFMP)* which regards MDFs as hubs of recreation activity (p.47), likening them to the hub of a wheel, and the smaller less complex recreation facilities as the spokes. These larger facilities were meant to offer infrastructure and programming support to various smaller centres and perhaps offer a level of service, or uniqueness that could not be provided by their smaller partners. Alignment should be "...encouraged to develop mutually beneficial relationships that enhance operations at each facility." (CFMP recommendation #29, p.52) Alignment means that recreation programming offered throughout the entire HRM recreation portfolio can be streamlined to reduce duplication, redirect resources, and improve citizen experience.

This document built upon previous Regional Council direction in 1996 that outlined the creation of regional advisory committees for the provision of recreation and leisure services. At that time, the regional advisory model was seen as a mechanism to improve coordination of the facilities on a regional basis. That model was not implemented as directed by Council and instead the "siloes" and autonomous model was maintained.

Under the current model, the individual boards make the operational and programming decisions regarding the usage of these HRM-owned facilities and as stated previously, there is often no correlation to HRM expectations and programs. With the current cost recovery model, the facility is utilized in some cases with the intention to maximize the revenue that can be earned, not what services are best to offer HRM citizens and members. Further, at times, facilities are choosing program offerings that do not align with Regional Council's expectations or HRM's culture. Mechanisms must be in place for HRM to provide

necessary input and oversight into regional facility usage. While this can be achieved under the current governance model through updated management agreements, HRM can still be exposed to reputational or financial risk if the facility and HRM interpretations do not align.

The establishment of a RAC would allow for this integrated model to be implemented in a manner that ensures the recreation needs of citizens are determined in a comprehensive and regional manner, rather than specific to individual facilities or areas. By replacing the existing separate, specific facility boards with a regional committee, the RAC model would ensure that community input is achieved in a strategic manner both from a regional perspective and in a way to ensure community needs are consistently assessed in all areas.

The establishment of a RAC was supported by the boards but as a mechanism which would allow for coordination among the facilities and augment the current structure without replacing the existing boards. Generally, the boards outlined a vision that was more of a coordinating committee for the existing MDFs which would enable better integration rather the “hub and spoke” approach for all recreation facilities as outlined in the CFMP. The establishment of a RAC in addition to facility boards, as proposed by the boards, would be a duplication of effort on initiatives that could be accomplished without an additional governance layer.

As well, the establishment of a RAC specific to the MDFs within the review would not be effective in moving forward on issues regarding standardization, coordination, cooperation, etc. Without changes to the various governance models, forming a RAC with no accountability to Regional Council, nor any ability to enforce decisions on independently operated Board facilities, is realistically not going to resolve the long term operational and financial issues facing the network of facilities. The current Boards include members of Regional Council as participants, and also HRM staff representation and there is no language within current agreements precluding the facilities from cooperating on any issue relative to recreational service delivery, even in the absence of a current RAC. The fact that there have not been any meaningful attempts to improve coordination and integration within the network of MDFs is likely indicative of continued separation in their operations

Universal MDF Community Access Plan

HRM's current Community Access Plan (CAP) for the allocation of indoor ice time delivers upon Council's Healthy Communities priorities of inclusion, accessibility and unstructured play. While the CAP is currently applicable to ice access, several of HRM's other initiatives have been structured to meet Council's Healthy Communities priorities, such as free swim lessons, open gym programs, accessibility programs, local/healthy food choices at facilities, etc.

Some of the MDFs have individually incorporated some of the principles of Council's Healthy Communities priorities into their programs and services. Others have been supported in the provision of programming to more vulnerable residents by the Provincial THRIVE! funding program. However, there is no consistency across the facilities with respect to program offerings, access and inclusion. With autonomous operation of each facility and a focus on cost recovery, several of the initiatives implemented to meet the needs of residents under the Healthy Communities priorities are not aligned with the current operation of the facilities under the individual board's vision.

In addition to an inconsistent approach to recreation programming, service improvements in the facilities which influence program offerings are not determined on a regional basis. That approach is required to ensure service improvements are fiscally responsible and necessary to meet community needs. However, ensuring a regional focus on service improvements and new capacity requests for the MDFs is more challenging under the current governance. Under the current individual mandates and requirement for full cost recovery, facilities look for facility specific improvements to improve the state of their individual facility and revenue recovery. While these service improvements can improve the state of one facility, it is often to the detriment of others and potentially to the overall recreation network, as there are limited new users to the recreation facilities but rather a transfer of users from other facilities. As well, this segregated approach further increases the competition between facilities and may result in HRM undertaking service

improvements or programming offerings that are not the most effective for improving the overall recreation service for residents. A regional focus to the recreation network would allow for better overall assessment of community needs and ensure funding is allocated for service improvements and future capabilities in areas that best serve the needs of the overall municipality.

During the consultations, there was general consensus with the principles outlined in Regional Council's Healthy Communities priority areas. The Boards indicated they believed in community based programming which includes inclusion and access and they are willing to build upon their current program offerings. However, there was general consensus that the development of a plan required more clearly defined strategic objectives identified by HRM with opportunities to collaborate in order to achieve these goals. Strategic planning is important to ensure the facility is working toward achieving intended outcomes. Strategic plans outline several components including necessary financial, structural and human resource management to achieve the outcomes.

Regional Council's priority areas of Transportation, Healthy Communities, Economic Development, and Governance and Communication allow HRM to focus service delivery in order to achieve these priority areas. There is no current requirement for the facilities to coordinate the strategic plans of the board operated facilities with HRM's strategic plan. As a result, there is limited focus on coordination of strategic planning across the network of facilities and it is very difficult to ensure Regional Council's priorities are achieved.

Regional Council's Healthy Communities priorities of inclusion, accessibility and unstructured play were formed as the result of community input. While each community has their own individual needs in these areas, there are several consistent aspects which help to successfully meet these priorities. These include such examples as fee adjustments, opportunities to play outside of organized sports, and opportunities for those with barriers to participate. Since the primary benefit of the volunteer board model is outlined to be the best connection to the community, it is expected that the unique needs of each community are able to be effectively assessed and incorporated into the facility offerings. In those facilities that are currently not effectively incorporating these principles in their programming, it is difficult to determine how community input is being fully incorporated and how the particular community's needs in these areas are being met.

For those facilities without an individual strategic plan, there is no documentation of the objectives/goals of the organization. There is no understanding of the resource allocation needed to achieve programming requirements, no assessment of program funding, etc. It could be argued that success has been by accident not design, and lack of success can possibly be attributed to the lack of a plan. Without a defined mission and strategic plan, some of the facilities are operating without any definition of the areas they intend to impact

Integrated Technology

As part of HRM's Recreational Facility Technology Assessment, the MDFs were reviewed to identify the degree of possible technology risk, and to document subsequent technology opportunities within the recreational facilities. Additionally, this process enabled staff to review the information technology functions within each specific facility, and to determine the best direction to enable a coordinated system of service and program delivery regardless of facility governance model. The objective is to be able to plan and coordinate future initiatives and prepare for capital approval processes to address end of life state of the current municipal recreation services application – Class, and to determine the state and requirement of the MDFs as a group. A coordinated long term approach would facilitate the following objectives:

- Enable citizens to access information easily, register and pay for recreation programs and services across HRM from anywhere at any time;
- Develop consistent performance reporting that support evidence-based decision making;
- Initiate the development of a set of common programs and services for recreation services;

- Implement sustainable technology to support the delivery of programs and services; and
- Support facilities currently at risk of technology obsolescence so they can continue to administer their individual programs and services.

This assessment focused on the following seven (7) risk areas within the facilities Information Technology environments:

1. Recreational Applications
2. Financial Applications
3. Underlying Technology
4. Availability of Data for Decision Making
5. Application and IT Support
6. Disaster Recovery and Business Continuity
7. Payment Card Industry (PCI) Compliance

The Table below illustrates the current state of the facility systems by using the following Legend
 HR=High Risk, MR=Medium Risk, LR=Low Risk

Table 1: ICT Assessment

Risk Area	Alderney Landing	Canada Games Centre	Centennial Pool	Cole Harbour Place	Dartmouth Sportsplex	Halifax Forum	Sackville Sports Stadium	St. Margaret's Centre
Applications: Rec Svc	MR	LR	MR	HR	HR	MR	MR	MR
Applications: Finance	MR	MR	MR	MR	MR	MR	MR	MR
Underlying	MR	LR	MR			MR	MR	MR
Availability of Data for Decision Making	HR	MR	HR	HR	HR	HR	MR	HR
App and IT Support	MR	LR	MR	MR	HR	MR	MR	MR
Business Continuity	MR	LR	MR	MR	MR	MR	MR	MR
PCI Compliance	TBD	TBD	TBD	HR	HR	HR	HR	TBD

The Board run MDFs and SSS are all operating within their individual information technology environment and, as per Table 1 above, can be divided into those with, and those without (or with very limited) technology solutions. This is a complex group of municipally owned entities with no common software or applications, including in some instances, reliance on paper transactions in the millions of dollars. As result, the assessment confirmed that the systems are at high risk of failure overall and there is limited opportunity for integration or improvements without significant changes. Within the technology systems alone, HRM is faced with multiple areas of risk including IT Platform failure, financial risks and safety risks for both users and HRM's assets.

Municipally owned and operated facilities all use SAP for financials. All MDFs have a financial package, but each one is different. SSS has moved to SAP, but still retains their previous financial package for historical information. Some of the financial packages and the underlying technology are out of date and no longer supported. The technology review also showed that the facilities' financial applications do not integrate with recreational applications. Because of a lack of integration and the number of financial packages, this has been identified as a risk. A single corporate financial package for the MDFs would save money, provide a single database of common financial data, and reduce security concerns.

The lack of data integration and/or the complete lack of applications in some of the facilities results in privacy breaches, data duplication, data error, inefficiencies, and difficulty in collecting and summarizing data for analysis and decision making. Often times the data does not exist because it cannot be collected in a non-electronic environment. This can result in decision making based on incomplete and incorrect data. The MDFs have either a high risk of applications and/or technology failure or are at a medium risk as they have no or limited technology. The lack of data standards compounds the problem of collecting and analysing facility data, which relates directly to difficulties in determining the best case service and program delivery for citizens. This also results in the inability to make direct outcome comparisons between facilities, and an inability for staff to determine whether the facilities are performing as a collective best case for citizens. Data standards, common metrics, standardized outcome measures in addition to technology are required in order to best fulfill the mandate Regional Council has directed. Further, without consistent technology, HRM is not able to effectively provide a “one client” model which would allow any user to recreate at any of the facilities under one membership.

With the exception of the Canada Games Centre, the newest facility, there is no documented information technology Disaster Recovery or Business Continuity plans for any of the facilities. Some of the facilities have undocumented plans, with some staff knowing what to do in the case of an emergency however this is a critical area to leave undocumented. Reliance on individual staff for technology maintenance and recovery is short sighted and puts the operation of the facilities at risk.

Dartmouth Sportsplex and Cole Harbour Place are the two facilities currently at risk in all areas related to information technology and have the highest risk profile across the facilities. Dartmouth Sportsplex has had to recently implement business continuity measures by purchasing and implementing an interim technology solution, while Cole Harbour Place has a support arrangement in place for their solution. Neither case is sustainable in the long term. Both facilities are aware of this critical risk and have approached HRM in regards to a long term solution.

An incremental cost analysis was completed to determine the impact of the MDFs fully participating in any HRM Recreation services administrative software solutions, which would envision a single system to support those processes. In addition to the reduction of the technology risks and improved data collection, a single system would also enable the “one client” model. Currently, the recreation software solution is in its conceptual planning phase and there is no approved funding at this point. The analysis although based on estimated costs at this point, does provide an initial incremental impact on including the MDFs into the project, subject to Regional Council’s direction.

As Table 2 outlines, the one-time project cost to include the MDFs in the corporate ICT portfolio is approximately \$900K. This would represent 17% of the total project cost. The project costs associated with HRM only operated facilities is approximately \$4.2M or 83% of the total project costs of \$5.1M including operating cost of capital (OCC). This is based on assumptions that the total cost of ownership is calculated over a 10 year time frame based on any new software planned life cycle. As well, it would be a licensing model software application which would eliminate upfront one-time costs for software and hardware and replaces them with ongoing cost for service. It is also based on a single instance of the software application which would be designed, built and implemented utilizing consistent programs and services, processes, workflows and data requirements. This would also enable common channels (e.g. websites, applications, etc.) for citizens to access information and complete registration. As a result, a project that enables all HRM owned facilities to be integrated into one technology system would provide significant improvements for customer service to clients.

Table 2: ICT Project Cost Estimation

	Total Costs (HRM Operated)	Incremental Costs (MDFs)	Cost Increase (%)	Revised Total Costs	% of MDF Costs
Total Capital	\$3,794,798	\$792,495	21%	\$4,587,293	17%
Total OCC Costs	\$437,500	\$87,500	20%	\$525,000	17%
Total Project Costs	\$4,232,305	\$879,995	21%	\$5,112,300	17%
Total Recurring Costs	\$410,000	\$490,000	120%	\$900,000	54%
Total Cost of Ownership (10 yrs)	\$8,332,305	\$5,779,995	69%	\$14,112,300	41%

The larger MDFs would naturally have higher transaction levels thus the recurring costs such as software services would be a higher percentage once the complete system is implemented. However, there would need to be further analysis within a transition plan to determine how such reoccurring costs could be recovered. Without a move towards standard administration of information technology, it would not be possible to achieve many of the outcomes identified by the Auditor General in relation to administrative efficiencies and redundancy. In addition, the citizens of HRM would continue to access recreational services within a silo service delivery model without a single system. In addition, the facilities would have to invest in information technology as Table 1 indicates that significant risk currently exists and capital investment is required. If Regional Council directed that full integration be completed, the transition plan would outline the steps necessary for the long term integration of the systems and functions at the MDFs based on individual facility risk assessment. Alternatively, if the current governance model is maintained, the provision of HRM delivered ICT technology and software including support and maintenance should still be provided to provide for efficiencies and standardization, as well as reduce risk.

Standardization of administrative practices and fee structure

These regional facilities operate in a silo, meaning they do not openly share initiatives and resources with each other and HRM. All programs and services are operationalized independent of each other, and often in competition with each other. These silos limit the ability to share information, ideas, expertise, and experience to provide the public with programming and other services that are effectively and efficiently managed for both the facilities and HRM. Private fitness facility operators motivate the MDF staff to re-evaluate their program offerings in order to keep pace with expectations, but which can sometimes lead to ineffective practices. Further, focus on the fitness program offerings can be such that other areas of recreation programming are overlooked or disregarded, adversely impacting overall recreation service delivery across HRM. HRM should not be competing directly with private fitness facilities, but rather recognize that the marketplace is now providing citizens with a range of recreational programming, which should be incorporated into strategic planning along with all areas of recreation service delivery.

Opportunities exist for operational effectiveness and consistency in many areas. As an example, in the Auditor General's May 2013 report '*Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board or Commission (ABC)*', the Office of the Auditor General (OAG) identified indicators of potential inefficiencies. A few are listed below:

- 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; and
- corporate culture does not stress the need for efficiency.

Occupational Health and Safety

With the current governance models in place, there has been confusion as to the responsibilities and accountability of HRM in relation to the *Nova Scotia Occupational Health and Safety Act* (the "Act") and

the oversight of the HRM owned facilities by the Volunteer Boards. The agreements outlined for each facility allow the Boards to provide the public with access to community facilities for recreational and cultural activity. Therefore, both parties (HRM and the Boards) have a degree of shared responsibility and accountability under the Act. Simply stated, HRM cannot delegate away its responsibilities under the Act.

HRM's occupational health and safety responsibilities under the Act differ slightly depending on the relationship with the community facility, but HRM will always be considered to hold a level of responsibility under the Act. The different governance relationships with the facilities and their respective Boards will partially determine the level of responsibility. Generally, the more control HRM has over the workplace (the community facility) the greater degree of responsibility HRM has for occupational health and safety measures within the facility.

Failure to deliver the requirements of the Act puts HRM in significant risk and open to prosecution should there be a workplace injury or fatality. Administrative penalties were added by the Province in 2010 as a regulatory tool. Penalties can be issued to workplace parties (e.g. owner of a workplace, employer, etc.) for any violations of the Act or its regulations. With the changes in 2010, HRM staff, Regional Council, MDF staff and Volunteer Board members could all be subject to administrative penalties for violations under the Act.

HRM provides a varying degree of support to the facilities which impacts the way which HRM would be viewed as it relates to the *Occupational Health and Safety Act*. Currently, HRM undertakes capital work at the facilities; the work is tendered utilizing HRM's procurement processes and HRM staff oversees the projects which are usually contracted out. In those cases, HRM would be viewed as the constructor and hold a high level of responsibility for safety. The facilities oversee smaller construction projects within their own operating budgets (e.g., repair of a broken window). For those projects, the facility operator would hold a high level of responsibility for safety.

Construction projects attract a higher risk for workplace injuries and, as a result, occupational health and safety obligations are rigorous for contractors. Therefore, HRM must be particularly mindful of occupational health and safety obligations/regulations when contracting out work either through its procurement process for capital projects or to the facility operators.

Under the Act parties to a work place may have multiple obligations. For example, HRM and the community board may both be considered employers. In this situation, the group which has the greatest control over the facility will have the primary responsibility for occupational health and safety. However, HRM should recognize that courts may be reluctant to find a not-for-profit community group accountable for occupational health and safety responsibilities should an accident occur. Due to the nature of these community boards (volunteer, not-for-profit, lack of experience with occupational health and safety), HRM may be held more accountable or solely accountable for occupational health and safety even though the community board has the day to day oversight of the facility. While HRM has been able to transfer some responsibility for occupational health and safety to the Board through the current governance model, apportionment of responsibility is determined with reference to the Act.

All volunteer boards are required to hold insurance to mitigate risk, however, the Directors and Officer's policies only provide coverage for claims made as the result of the wrongful act of the covered Board. Wrongful acts include, but are not limited to, any actual or alleged breach of duty, neglect error, misstatement, omission or act made in the discharge of the covered Board's duties. In most situations the coverage afforded through Directors and Officer's coverage provides coverage for the costs incurred in defending an allegation of a wrongful act. It should be noted that Directors and Officers Coverage does not respond to claims arising from bodily injury or property damage, for which HRM holds insurance for all of its facilities.

During the consultation with the facility Boards and staff, it was suggested that oversight of the facilities and their operational policies from an Occupational Health & Safety perspective would best be served by a single position within HRM assigned to provide the Boards expertise in this area. This was seen to be able to allow for consistency in policy development and mitigate risk to both HRM and the volunteer

Boards. It was envisioned that this position would be responsible to provide oversight to all the facilities operated by volunteer Boards versus just the eight facilities identified within this review.

On the surface, the addition of HRM resources to enhance safety within the facilities would seem an appropriate expenditure for taxpayer funding. However, further analysis of the request highlights the impacts that would need to be mitigated. Additional safety oversight by HRM would mean that the Board would no longer operate in an autonomous manner as desired by the Boards. The bigger challenge would relate to the impact on the operation of the facility. Since the employees at many of the facilities are not HRM staff, HRM cannot direct their work. Under the current governance models, the Boards would have to be informed of the work required and then direct their staff to carry out the work required. In the event of non-compliance of the work, HRM would have to rely on the Boards to ensure the work is completed and hold the volunteers accountable for non-compliance since there is no direct relationship between the facility employees and HRM.

Since there are significant challenges and risks related to ensuring the facilities are operated in a safe manner for all employees and clients, direct HRM responsibility for safety requirements and subsequent maintenance and processes would provide the most straight forward and effective model. Without that direct responsibility and implementation, a better oversight model with Boards using HRM safety resources would be required to mitigate risk to HRM and the facility users since the facilities have indicated that they do not have the necessary skill set to meet the requirement.

Maintenance Practices

Under the current governance model, the maintenance functions at the various facilities are not standardized. Without changes to the current structure, the lack of standardization is expected to continue as a result of employee status and circumstances unique to each facility. Under the current state, maintenance practices are the area with the most variety. There are two facilities fully maintained by HRM staff, two facilities with components maintained by HRM and others by MDF staff, and five facilities fully maintained by MDF staff. This complexity is further complicated by the fact that there is a mix of HRM non-union staff, HRM union staff and both union and non-union MDF staff responsible for maintenance.

Operating costs vary for each facility based on factors such as age of facility, facility utilization and inventory types inside the facility. Deferred maintenance and capital work at some of the facilities may account for some of the variances in operating costs. However, savings and efficiencies can be achieved by standardizing maintenance and services such as cleaning, pool maintenance, rink operations, etc. Detailed information related to potential cost savings is outlined in the "Costs and Benefits of both board governance and direct HRM control" section later in this document.

While cost savings through a standardized approach to maintenance are important for HRM taxpayers, consistent maintenance practices to ensure safe and consistent operations of the facilities are equally important. Since much of the risk assumed by HRM relates to the operation of these large, complex facilities, consistent maintenance practices are critical for HRM to mitigate risk, ensure the facilities are safe and reduce liability.

Similar to safety requirements, while improvements in maintenance practices could be undertaken while maintaining a board governance model, it would be challenging as a result of the varying governance models. With autonomous operation of the facilities, standardization would require agreement by the boards and their staff and take time to implement to a consistent approach. Even with improvements in standardization of maintenance practices, HRM would continue to hold significant risk but have no direct accountability to ensure maintenance is being managed properly since HRM cannot direct the work of the facility employees nor have oversight in the completion of their work.

Procurement

HRM Procurement operates within a framework guided by the *Public Procurement Act*, Administrative Order #35 (The Procurement Policy) and best practice. This framework requires an integrated approach to the purchase of goods, services, construction and facilities based upon public procurement principles, the delegation of authority, accountability and the application of sound procurement processes and practices.

Although the associations/societies that operate the MDFs are independent legal entities and cannot be automatically bound by HRM's Administrative Order 35, their purchasing activities are directly related to the provision of HRM recreation programming and the maintenance and improvement of HRM facilities. Therefore, HRM must maintain appropriate standards relative to procuring municipal services even if those services are provided by the not for profit associations. Similar to the provision of safety requirements, ensuring the appropriate standards are being met is challenging for HRM since the procurements are carried out by separate entities and by non-HRM employees. Since HRM is bound by the *Public Procurement Act*, HRM is accountable for its non-compliance with the Act. However, HRM is challenged to address non-compliance in its facilities for which HRM does not have authority over the employees procuring the service.

An important benefit in HRM providing services to these facilities would be the ability to have efficiencies and economies of scale in regards to purchasing power. Clear benefits to the use of standing offers is that it is industry best practice to ensure transparency and clearly defined administrative authority. The challenge of standardizing the procurement activities of external organizations with HRM's processes is illustrated by recent efforts to extend HRM's standing offers to these organizations. This initiative was abandoned when HRM became aware that some facilities were using HRM's standing offers inappropriately with their preferred vendors in a manner which violates the tenants of openness, fairness and transparency inherent in AO35, Procurement Policy. Without a contractual mechanism to be able to ensure compliance with the Policy and through it, the *Nova Scotia Public Procurement Act*, restriction of the use of the standing offers was the safest approach for HRM.

Further, as the MDFs are not under the direction of Regional Council, nor affiliated with HRM as agents of the Municipality (with the exception of CGC), they do not have an inherent right to utilize HRM standing offers. Vendors can decide to offer the same costing to an MDF but unless HRM amends its standard terms, the Municipality cannot enforce this practice nor can HRM share the unit prices contained within the standing offers with associations not considered to be an employee or agent of HRM.

Overall, the provision of procurement services by HRM to an external non-profit entity would present the following administrative challenges:

- HRM has no direct administrative control over the procurement processes and practices of these organizations. There would be no assurance of an understanding of HRM's duty of fairness, openness and transparency and no certainty to the technical expertise, qualifications and knowledge of those involved in procurement processes;
- HRM's Procurement Policy delegates authority to purchase goods and services from Council through the CAO to HRM staff. Council has not delegated authority to the Boards to fulfill this function and, as such, could not be held accountable by HRM for their procurement activities and/or decisions;
- HRM's procurement work flow processes are designed to allocate and process the expenditures of the Municipality's funds, not external 3rd party funds, as these funds are not part of HRM's budget process;
- HRM operates within an SAP financial tracking environment; the majority of the facilities operate external to the SAP systems; and

While these challenges exist, there are mechanisms that could be put in place to address them. However, with eight governance models and the varying degree of control over the staff at these facilities, it is not currently viable to standardize the procurement process at all these facilities.

More specifically, any arrangement that would see HRM providing procurement services to these organizations, either as independent entities or agents of the Municipality, would require an amendment to the Procurement Policy to address the following:

- The current definition of agencies, boards and commissions is not construed to include MDFs so amendments to the Procurement Policy could clarify when they are an “agent”;
- The *Public Procurement Act* requires all public sector entities such as HRM, to procure goods and services in a certain manner. This would include independent entities who are formally appointed as agents of the Municipality and procure using Municipal funds;
- If Regional Council wishes to maintain the current Board relationship, specific language must be adopted within any new management agreements. Regional Council would have to decide their relationship to the Procurement Policy and otherwise require compliance with the *Public Procurement Policy*. If the MDF boards were bound to the Policy as agents of HRM, then substantial amendments to the Policy would be required in relation to delegation of authority, budget considerations and CAO and Council approval requirements. If the MDFs were made agents of HRM, the management agreement would have to delineate under what circumstances an MDFs actions could and would not bind the Municipality; and
- Procurement service delivery at HRM is relationship and commodity based. If Procurement was to offer services to each of the MDFs as independent bodies, either as external service delivery or as agents, then the required relationships would indicate that there may be a need for additional FTEs within Procurement to manage the new relationships. Procurement currently manages a multi-level relationship with Parks and Recreation, so should Council decide to integrate these facilities completely into HRM’s structure then there would be no requirement for additional FTEs for Procurement to support the facilities since they would be an integrated part of a single pre-existing business unit. An example of this is the SSS which has worked both independently and as a part of the HRM Parks and Recreation Business Unit. Although when “brought in” to the Procurement Policy there was a learning curve which did require some internal effort, the staff are now aware of the Policy and deal with Parks and Recreation management and Procurement staff within the policy’s constraints with little or no extra effort or resources required.

These factors in combination expose HRM to a significant level of risk in either the provision of services to an external entity or in consideration of appointing the MDF’s as agents of the Municipality. As a consequence, the least risk alternative for the provision of procurement services to these organizations is that they be provided when they are fully integrated with HRM’s organization as on-line staff.

Financial Management Services

Currently HRM Finance provides various services to the MDFs such as:

- payroll processing;
- coordination/tendering audit services;
- advising on HST matters; and
- financial reporting.

As outlined in August 2013, the OAG released a report on HRM’s payroll system “HRM Payroll System-A Performance (Process) Review” in which the inconsistent payroll process across Business Units and Agencies Boards and Commissions creates a lack of economy of scale and a lack of overall efficiency.

The OAG recommended (1.3.1) the realignment of reporting relationships for entity staff with payroll responsibilities to the Manger of Payroll within the Finance and Information & Communication & Technology (FICT) business unit. The rationale is to present a more unified approach to the delivery of payroll services and allow for flexibility as individual, or entity needs change. This may involve transferring functions and possibly staff to the FICT business unit; a difficult task with the current governance model and employer status. As noted, since the employees of the regional facilities are not HRM employees but rather report to the corresponding boards, it is complicated for HRM to enact the OAG recommendations.

HRM provides payroll services to some facilities on a fee-for-service model as outlined in Table 3.

Table 3: Regional Facilities Payroll Services

Facility	Payroll Support	Payroll Billing	Payroll Process
Alderney Landing (AL)	No	No	No
Canada Games Centre (CGC)	Yes	Yes	Yes
Centennial Pool (CP)	No	No	No
Cole Harbour Place (CHP)	Yes	Yes	Yes
Dartmouth Sportsplex (DSP)	No	Yes	Yes
Halifax Forum (HF)	No	No	Yes
Sackville Sports Stadium (SSS)	Yes	No	Yes
St. Margaret's Centre (SMC)	Yes	Yes	Yes

Presently, provision of these services represents approximately 1228 hours of HRM staff time for just four of the facilities who are billed for this service (CGC, CHP, DSP and SMC). Based on an estimated hourly rate including benefits and indirect costs, this service costs approximately \$40,000 annually. Although, some of this cost is recovered through billing back the facilities, the redundancy and administrative processes to complete this business process is not efficient.

Currently, although HRM provides the payroll service to the facilities as outlined in Table 3, the primary inefficiency is that the facilities do not have access to HRM's complete payroll system. If the regional facilities were to utilize the payroll system and processes, this would reduce administrative support functions. HRM has an initiative underway to enable employee's self-serve/manager self-serve for payroll services. This functionality will improve time data entry and tracking in the payroll system, creating efficiencies from front-end to reporting. If the MDFs were on the same ICT platform, they could utilize this functionality and realize a combined savings conservatively estimated at 1% of their payroll costs or \$121,000. However, the improvement could not be achieved without the consistent ICT platform

In addition to the challenges related to the consistent ICT platform, the current employee status is also a significant challenge to implementing these administrative efficiencies. Under the current governance model, there is rationale for HRM to reduce or discontinue provision of payroll services to some of the facilities since the provision of payroll could impact the employee/employer relationship. This would likely create increased costs to the facilities. Furthermore, since external private sector payroll service providers typically require sufficient funds available before making payroll, some of the facilities would not be able to make regular payroll payments under their current financial situation.

In reviewing the accounts payable function, the MDFs process between 400-500 invoices per month. From a workflow perspective, this volume would create minimal impact if processed by HRM finance staff. SSS accounts payables were integrated into HRM's process without the requirement for any additional staffing resources.

With all of the business processes integrated with HRM's existing structure, efficiencies in work flow, economies, and improved financial management would be achieved through this model. Some benefits of HRM providing finance services to the MDFs are cash flow and receivables management, consistency in preparation and presentation of financial information, as well as eliminated need to create facility financial statement packages.

Legal Resources

Legal Services does not currently provide advice or services to community groups that operate MDFs, although it does work with business units in respect of HRM's overall approach to MDF operations. The not-for-profit societies that run the MDFs are separate legal entities, each governed by a volunteer board of directors. These societies have contracted with HRM to manage the facilities and deliver programming. As a result, Legal Services will not always be able to provide advice or services to these societies, most specifically during those times when a society's interests may diverge from those of the Municipality. Even if the relationship between these societies and HRM was to change, for example, if HRM were to exercise more operational oversight, Legal Services would continue to represent the interests of Municipality to the exclusion of all others where conflicts real or perceived occur.

Should Regional Council consider changes to the governance of the facilities, changes to how the MDFs are operated or to the way in which programs are delivered through MDFs a resetting of the contractual relationship between the Municipality and the affected community groups would be required. The path proposed would see a shift in responsibilities and funding sources, the introduction of a new governance model and enhanced coordination of program delivery – all of which may be need to be detailed in new contracts. Regardless of Regional Council's decision on the future governance of the facilities, there will also be an impact on the contracts presently in place between the affected community groups and third parties, either through the creation of new management agreements or direct HRM control. Depending on the future governance of the facilities, Legal Services may also be called on to provide additional advice and services relative to human resources and procurement issues.

Human Resource Management

Under the current governance model, HRM must exercise caution with respect to administrative oversight and support as these things can impact the relationship of the facility operators to their employees. If the current governance model stays in place, HRM may not be able to effect significant change in administrative support processes and level of oversight without impacting these relationships, which in turn may also impact HRM's interests. The premise of the current governance model is that HRM has minimal involvement in the day-to-day operation of the facilities. This reduces the ability to obtain efficiencies in the overall operation of the facilities, creates challenges to implementation of the directives of Regional Council and makes it difficult to address recommendations coming from the OAG relative to administrative functions.

Operational efficiencies and effective resource management could be achieved from the centralization of administrative and support staff functions; however, there will be minimal efficiencies realized in the short term. Regional centralization of staff would require a functional review of current staffing, in order to determine appropriate levels for the required functions. Based on the analysis completed by the OAG and existing experiences, it is clear that efficiencies and flexibility in the operations could be achieved through a centralized model. Under the current model, not only is there competition related to programming, but also with staffing. Especially in hard to fill positions, movement of staff between facilities can be a problem. A regional approach would help to stabilize the staffing levels and also allow for flexibility for staff to work across the network.

Currently, the MDFs do not have specific human resource professional staff, with the exception of the Canada Games Centre. Staffing and human resource issues are included in the responsibilities of the General Manager and overseen by the individual Boards, with the exception of the Halifax Forum who already receive limited HR support. As a fully integrated facility, SSS receives the same level of HR services as all other HRM divisions.

If Regional Council directed that integration of administrative functions be completed for the MDFs and that HR support be provided to the various Boards, HR assumes it would provide service at the same level and areas currently provided to other business units. However, under the current governance models, HRM must utilize caution with respect to providing HR administrative support to the regional

facilities because they are not municipal staff. The support and oversight of the non HRM staff can impact the relationship of the facility operators to their employees. Furthermore, it could cause the relationship to be altered such that HRM may not be able to provide any HR support without impacting the employee/employer relationship.

A critical component of the analysis on governance was an assessment of the employees at the facilities. Most of the facilities are staffed with non-HRM employees with the exception of the Halifax Forum and Sackville Sports Stadium. Where community associations operating the facilities employ their own staff, HRM's ability to effectively influence the administrative functions, assess staffing requirements and create operational efficiencies is limited. HRM needs to consider the potential impact on the relationship between the operators of the facility and their employees when outlining and direction and oversight related to the operation of the facilities, so as to not alter employer/employee relationship. The current governance structure impacts the ability of HRM to oversee the maintenance of its assets and delivery of its programs by operators of the facilities.

Similar to the maintenance practices in the facilities, the current governance model does not encourage the sharing of HR support across the facilities. Since each facility maintains its own staff, confidentiality requirements and management responsibilities restricts the opportunities for one facility to receive support from staff at a different facility. As a result, the facilities tend to operate without the benefit of HR expertise for the management of staff and resolution of HR issues except for the Canada Games Centre which has a dedicated human resource professional.

Communication

Although overall communication between HRM and the facilities has been improving, the very nature of the current governance model and management agreements is still an area of concern. The Office of the Auditor General report on Agencies, Boards and Commissions (ABC) administrative functions clearly notes "...there seems to be little or no communication among the ABCs or between ABC and HRM with regards to leading practices, possible shared services or opportunities for efficiencies with regards to the provision of administrative functions."

Another opportunity for efficiencies and integration would be the utilization of the 311 Citizen Contact Centre. Currently, citizens must access each facility separately – either through direct contact or separate web access. Under an integrated model, citizens would be able to obtain Tier 1 information regarding the facilities rather than accessing each facility individually for general information. As well, where feasible, the integration of the citizen walk in service should be further explored for integration into the counter service at a regional facility. This would reduce administrative costs and provide one stop municipal services for citizens.

In terms of communication from a marketing perspective, there is no coordination among the regional facilities. Each facility maintains separate web pages and social media sites. Each facility produces their own literature and markets the facility programming, resulting in a degree of competition between the facilities for users of programs and services, and revenues. A coordinated approach to marketing and print services would yield efficiencies, as well as consistent messaging to the citizens regarding recreational programming opportunities within HRM. Currently, the eight regional facilities spend approximately \$315,000 on marketing initiatives. HRM corporate communications could add the regional facilities to their existing portfolio without any additional staffing resource requirements. The benefits of this integration would be:

- standardized content and messaging;
- relationship and expectation management;
- significant reduction in marketing costs;
- increased coordination and cooperation; and
- reduced competition.

Fee Structure

There is no requirement for consistent pricing of ice, memberships, programs and spaces, so the fees and policies for recreation services vary within the regional network. Pricing and policies are reflective of the individual facilities' strategic goals, capacity, and operational needs. User fees are higher in comparison to HRM operated facilities which creates an inappropriate barrier for many citizens to participate in a variety of recreation services. The pricing differences have led to a sense of inequality for some citizens, many of whom cannot afford some of the more expensive membership fees and unique programming that these facilities can offer because of their financial position. Arena rental fees do not reflect consistent pricing within the network, which again creates an inequality and competition. Regional Council has directed implementation of a centralized scheduling initiative. The first components of this initiative have been implemented and further improvements could be realized with optimized pricing arrangement. However, as indicated, achieving this outcome is challenging under the current governance model and without standard operating technologies.

The current cost recovery model requires each Board to undertake adjustment to their facility programming to maintain a competitive position. This funding model is not working for the network of regional facilities. Program structure, including fees, are set by the individual facilities, which may allow an individual facility to attract and retain clients, but it does not ensure that HRM taxpayer's investment in the entire network is providing the most cost effective and efficient recreation service delivery model. There is no increase in market share (population) to distribute, therefore, this current structure is a reallocation process without overall growth opportunities. There is no requirement for consistent pricing of ice, memberships, programs and spaces, so the fees and policies for recreation services vary across the facilities. Pricing and policies are reflective of the individual facilities' strategic goals, capacity, and operational needs. User fees are higher in comparison to HRM operated facilities which creates an inappropriate barrier for many citizens to participate in a variety of recreation services. The pricing differences have led to a sense of inequality for some citizens, many of whom cannot afford some of the more expensive membership fees and unique programming that these facilities can offer because of their financial position. Arena rental fees do not reflect consistent pricing within the network, which again creates an inequality and competition. To improve the overall system, Regional Council has directed implementation of a centralized scheduling initiative. The first components of this initiative have been implemented and further improvements could be realized with optimized pricing arrangement. However, as indicated, achieving this outcome is challenging under the current governance model and without standard operating technologies.

More citizens could participate, but this would likely only happen if the fees were lower and access was higher. That would be the only way to expect an increase in facility users. The current model supports the people who already choose to be active. It does not support equitable access for all citizens including new residents and other marginalized groups who typically do not participate in this traditional "no pay-no play" system.

Currently, the cost recovery model creates pressures to increase program pricing in order to improve revenue, thereby increasing pressure on HRM and not for profit service providers to fill the "access gaps" in recreation programming. With this fee structure, there continues to be restricted affordability to many citizens to participate in programming at these facilities. As well, with inconsistent pricing there is confusion for citizens as to why prices differ at the various facilities when HRM is the owner of all the facilities.

An indicative example that outlines the discrepancies in fee structures across the network relates to ice rental fees. Currently, within the 20 sheets of ice, within 14 facilities owned by HRM, the fee for one hour of ice for youth recreation usage ranges from \$175 to \$250. The variation is even more significant for adult rentals with a range from \$175 to \$276 per hour. Variations in costs can and should be expected for more elite sport programming, where additional training elements or enhanced qualities are required within the facility. However, for recreational programs, citizens should be provided with consistent programs and pricing. Under the current governance model, with autonomous operation of the major

facilities, prices are set by the respective boards and as a result, consistency programming and pricing is not attainable.

This varied fee structure also makes it challenging for the single membership option which in today's recreational service delivery environment would appear to be a reasonable expectation. However, because of the nature of the current programming structure and the inherent difference in the ability of facilities to either reduce or increase their fees, the move to a standardized or harmonized fee structure would have to be undertaken over an extended period of time to minimize impact to the facilities, the users, and HRM taxpayers.

An integrated approach to program fee structure would benefit from implementation of the CAP approved by Regional Council and the continued implementation of the Long Term Arena Strategy (LTAS). Similar to the various program fees and levels at the facilities, with Regional Council's direction staff, in conjunction with the facility operators, have taken steps in regards to ice fees. As reflected in the LTAS, there are currently 20 municipally owned sheets of ice in 14 different facilities, being operated by 11 different management groups / boards. In all 11 cases, ice rental pricing varies. The LTAS report identified the need for coordinated scheduling, as well as harmonization of pricing in the arena facilities in order to better meet the needs of citizens. However, under the current governance models and management agreements, facilities operate autonomously and set individual prices. Integration of the facilities and a regional focus across the network is necessary for standardization of ice rental fees. This potential improvement is indicative of the approach which could be undertaken in regard to all programs and fees.

Costs and Benefits of both board governance and direct HRM control

In order to properly compare board governance with a direct HRM control model, an understanding of the overall governance of recreation service delivery is needed. Further, an analysis of the current governance models utilized in its recreation service delivery is important to be able to fully assess the benefits and challenges of the various models.

Governance Analysis

As outlined in the Regional Council approved CFMP, HRM has two primary methods for facility management. These are:

- Direct Provider - HRM provides direct programs and services through the facilities it operates
- Enabler - HRM enables others by contracting out the delivery of programs and services to community board run organizations or private sector

Based on an analysis of total operational expenditures for HRM recreational facilities, 70% of total HRM's recreation service is delivered through "Enablers" and is outside of Council's direct control. This is often referred to as "distributed governance".

In order to recommend the most appropriate governance model for HRM's regional facilities, it is important to review potential models. That review further indicated that the appropriate governance model must ensure HRM is able to deliver recreation services that:

- Promotes community involvement;
- Meets community needs;
- Provides safe environments;
- Provides affordable and equitable access;
- Are efficiently and effectively operated; and
- Are managed in a financially responsible manner.

As well, in order to be effective and efficient in meeting Regional Council's Healthy Communities focus area objectives, recreation service delivery and programming needs to be similar with the same objectives whether provided directly by HRM or through an enabler at a HRM-owned facility. Some key objectives to ensure municipal recreation services meet community needs and achieve HRM's outcomes are:

- Community is engaged and involved in planning and delivering recreation programming;
- Access is provided for all citizens;
- Affordable services are offered;
- Effective financial and operations management;
- Best use and value from resources employed;
- Efficiencies and economies in operations;
- Facility capacity well used and managed;
- Safe environments exist;
- Consistent policies and practices;
- Collaborative short and long-term infrastructure planning;
- Capital investment is based on need, supported by strong business cases; and
- Adequately managed risk.

HRM's Recreation Blueprint, the guiding document for service delivery, outlines that HRM service delivery is undertaken to "enrich the lives of HRM residents and communities by facilitating and/or providing quality inclusive leisure services, facilities, and programs". This principle continues to be the Council approved cornerstone of service delivery for HRM municipally-operated facilities and small community facilities. To effectively meet the needs of residents, it needs to be the cornerstone for all HRM facilities, regardless of their operating model.

GHP Jurisdictional Review

As part of this analysis, Greater Halifax Partnership (GHP) conducted a jurisdictional review of seven Canadian municipalities in relation to governance and operations of their MDFs.

- Brampton;
- Hamilton;
- Laval;
- London;
- Surrey;
- Winnipeg; and
- Vancouver.

Examination of the data reveals that of the seven municipalities studied, only two examples of the enabler model where management boards exist. For the others, the strategic direction and administration are determined and executed by the City. It was found that this allowed for standardization of programming, maintenance and operating standards. Allocation of resources is determined by the needs of the community centre and ultimate accountability rests with the municipality and Council. These cities utilize advisory boards and committees to gain community input while maintaining administrative control.

As outlined in Appendix 1, Winnipeg and Vancouver are unique in their approach. In Winnipeg's multi-level board model, each facility has a community board; however, these individual boards are linked to the General Council on Winnipeg Community Centres (GCWCC), which is a larger, management board that also has representatives from the City, the Community Services Department and Minor Hockey. The GCWCC was formed in 1971 after amalgamation of 13 municipalities into the City of Winnipeg. The GCWCC promotes and encourages cooperation among the various community centres and city administration. It provides a central council for the exchange of ideas and resolution of common issues and is responsible for policy and programming and oversees the operation of all the community centres. Vancouver operates strategically through a single, elected board. This board determines strategy, policy

and programming for community centres in each of Vancouver's 23 neighbourhoods in partnership with multiple community-based associations.

In terms of funding models, all the facilities in the GHP scan charge program and service fees as part of their revenue stream. Four are imbedded as part of the City's budget; two receive subsidies, while one has an independent budget which is a recent switch from City subsidization. The findings showed that the cities work in partnership with their major facilities while maintaining oversight. They also show the inherent inability for such major facilities to experience 100% cost recovery or be fiscally independent.

The GHP review shows that HRM could choose to fully centralize (HRM owned and operated), fully decentralize (HRM owned but not operated) or diffuse both in their operations. In a diffused model, a structure would be created similar to a crown corporation to provide direct oversight for the facilities.

With centralization, the strengths include standardizing and streamlining all operations across the facilities, as well as the absence of additional boards and agreements to manage. The challenge would be to ensure appropriate human and financial resources are available to properly manage the facilities. With decentralization, the advantages are that municipalities share the responsibility for the facilities' operations and the associated risks by empowering another body to operate a facility on its behalf. The challenges are the loss of oversight and accountability over the operation.

Diffusion could mean creation of an arm's length body to operate the facilities with the municipality maintaining oversight of the body. In a diffused model, HRM would also be responsible for staffing and finances. The challenges would be the need for the arm's length body to enter into agreements with sub-contractors for services, and manage these services on behalf of HRM. HRM would also hold accountability for the operation of the facility but not hold direct responsibility.

An important consideration of the GHP review is management control which is critical to ensure standardization of procedures, policies and strategic direction. Through a centralized system, HRM would have the ability to direct the necessary partnerships and control the relevant operational areas in the facilities to ensure compliance and best practices for financial stewardship and service excellence. Under the decentralized and diffused systems, those aspects would be more challenging.

Analysis

Consistent with the findings in the GHP scan, four common facility management models were previously analyzed for HRM's regional facilities:

- 1) Community board run with Council policy direction
- 2) Outsource operation of facilities to private sector with Council policy direction
- 3) HRM staff operated based on Council direction
- 4) HRM staff operated with Council direction and community advisory committee input

This analysis identified the advantages and disadvantages of each model for HRM through the analysis of several aspects. All of the models impact the ability to ensure Regional Council's strategic direction and priorities are implemented, with some making it easier than others. Each model would need to include the accountability and administrative processes required to ensure appropriate program and service delivery to the citizens of HRM, as well as financial, administrative and strategic oversight of each operation. Detailed information on the analysis is outlined in Appendix 2.

Specific to the direction of CPED, the benefits of a coordinated MDF system through board Governance contrasted with direct HRM control has been summarized from the governance analysis.

As outlined, a direct financial control model provides significant financial savings over a coordinated board governance model. Just as important as financial savings, a direct HRM control model would also provide significantly improved methods to mitigate risks which are much more challenging to mitigate under the board governance model, if at all. Finally, improvements in the consistency of administrative processes would also be achievable under the direct HRM control model. These risk mitigations and improvements in administrative function consistencies include:

In addition to financial savings, there are significant operational and administrative benefits to direct HRM control including:

Risk Mitigation:

- Increase capability for Occupational Health & Safety legislation compliance
- Limited legal support to the MDFs
- Leasing Oversight
- Consistent maintenance practices
- Increase implementation and control over technology systems

Consistent Administrative Functions:

- Process efficiencies
- Procurement compliance
- Consistent reporting
- Consistent HR process, policies and performance management
- Standardized corporate brand marketing and messaging
- Common ICT platform; simplified and standardized environment
- Improved ability for data driven decision making
- Consistent recreation service delivery for citizens

These benefits would be achieved under the recommended direct control model outlined in the staff recommendation

Coordinated Board Model

In comparison, the changes/expenditure reductions necessary to be able to realize the same level of savings is not likely to be achieved under a coordinated board model since the facilities would still continue to be operated by separate legal entities.

Apart from the financial impact, other benefits were determined under a coordinated board model including:

- Direct community involvement in the operation of the facilities
- Arms-length relationships can provide a good deal of autonomy and freedom for the individual centres, in programming, operational processes and initiatives
- Quicker adaptation to new ideas and initiatives may be possible
- Management ability to respond to the community needs as they see appropriate
- Opportunities could be available, such as funding from donors or other supports, to the operating bodies that may not be available if HRM directly operated these facilities.

These benefits are also currently outlined in the status quo model in which all facilities are operated in separate autonomous manners. A more coordinated board model could be expected to increase the impact of these benefits, but without changes to the separate entities operating each specific facility, the benefits would not be far reaching, nor would they include a clear mechanism for HRM to be able to influence or direct the implementation of Regional Council's vision related to its Healthy Communities priority area.

Financial Status

Currently, it is challenging for HRM to impact operating results, as HRM does not have control or input over operating decisions made by the Boards and facility staff. HRM does not have the ability to proactively address any financial concerns. Financial reporting, including annual projections, are being provided on a quarterly basis, however, it only informs HRM, but does not allow HRM to address concerns or risks. For example, in one case, staff received a Board approved operating budget which included an estimated operating deficit of just under \$600K. The board indicated they were starting with an honestly calculated starting position versus submitting a balanced budget and then running a deficit. HRM is liable for the overall debt of the facility, including both operating and capital, without the ability to

significantly address the financial situation. A snap-shot of the 2013/14 financial performance and positions of the eight operations included in this review is included in Table 4.

Table 4: Financial 2013/14 and Financial Position

Financial Performance 2013/14 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
Operating Revenues	1,152	5,157	306	3,566	4,594	3,899	3,003	1,512	23,189
Operating Expenditures	(1,343)	(5,002)	(403)	(3,258)	(4,867)	(3,750)	(3,369)	(1,621)	(23,613)
Capital Repayment	-	-	-	(201)	(75)	(142)	(276)	-	(694)
Net Capital Expenditures (funded by facility)	-	-	-	(46)	(158)	-	-	-	(204)
Annual Operating Surplus (Deficit) before HRM subsidy	(191)	155	(97)	61	(506)	7	(642)	(109)	(1,322)
Cost Recovery Rate (before HRM subsidy)	86%	103%	76%	102%	90%	100%	82%	93%	95%
Operating Subsidy (approved by Regional Council)	175	300	140	-	-	103	-	-	718
Net Annual Surplus (Deficit) after HRM subsidy	(16)	455	43	61	(506)	110	(642)	(109)	(604)
Cost Recovery Rate (after HRM subsidy)	99%	109%	111%	102%	90%	103%	82%	93%	98%
Accumulated Net Assets (Deficit) from balance sheet *	(40)	964	39	542	(2,780)	(181)	(4,829)	(508)	(6,793)
Operating Loans (Other) - Past Due	-	-	-	-	1,744	-	-	212	1,956
Capital Funding - Past Due	1,051	-	-	-	-	-	-	-	1,051
Operating Loans (Other) - Due in Future	34	298	-	138	371	-	-	214	1,055
Capital Funding - Due in Future	-	-	-	524	2	989	1,770	1,933	5,218
TOTAL Capital & Operating Due	1,085	298	0	662	2,117	989	1,770	2,359	9,280

*This is the Financial Position of each entity.

Source: facility audited financial statements and HRM accounts receivable balances

Highlights of Table 4 are provided below:

- The cost recovery rate before subsidy (excluding expenditures absorbed by HRM for capital and support costs) was an average 95% compared to 94% the previous year;
- HRM provided \$718K in Regional Council approved subsidies to four of these facilities. Canada Games Centre (\$300K) and Halifax Forum (\$102k) would have realized a surplus in the year even without this funding. The Sackville Sports Stadium is directly operated by HRM; therefore, the operating deficit realized of (\$642K) is covered by the general rate (prior year deficit was \$764);
- Capital debt past due of \$1.0M from Alderney Landing is still unrecovered. Operating results do not indicate capacity for payment to be made;
- Cole Harbour Place receives annual leasing revenue of \$158K from the HRM Library and \$314K from the Province of Nova Scotia.
- The operating past due debt of \$1.9M is an increase of over \$235K in one year for costs that could not be covered by Dartmouth Sportsplex (payroll) and St. Margaret's Centre (payroll). This is a rolling balance that will continue to be outstanding and likely increase as the facility funds are not sufficient to bring the accounts up to date; and Dartmouth Sportsplex and St. Margaret's Centre have payroll arrears totalling \$2.9M and \$271K respectively as of June 1, 2015. The facilities are making payments, however, they cannot make payroll without HRM. HRM previously provided two operating loans totaling \$230k of which St. Margaret's Centre has made \$20K in payments since 2009.

- Accumulated Net Assets (Deficit) from the balance sheet has increased from \$6,376,000 to \$6,793,000. Although the total debt has been reduced by \$463K, this is primarily as a result of repayment of capital debt.

It is highly unlikely under the current governance model and financial structure that Alderney Landing, Dartmouth Sportsplex, or St. Margaret's Centre will be in a position to pay off debt obligations associated with the facilities. Recent changes have resulted in HRM assuming the SSS debt obligations. However, as part of HRM's direct recreational service delivery with Parks & Receptions budget and HRM's budget processes, staff are able to ensure the facility operates within its Council approved budget envelope. Regional Council has also recently directed changes to the area rate process which will result in the absorption of the area rate currently in place for the repayment of the St. Margaret's Centre capital debt. HRM will not have the same oversight ability for that facility to ensure additional debt is not realized since its budget is not included in HRM's budget process.

If Regional Council determines these facilities should remain independent of HRM under the current governance model and operated in a segregated approach, it is unlikely that the overall financial situation will improve. HRM will continue to subsidize these operations in one way or another, both in financial and administrative support. Further, HRM could not easily address, on a regional level, concerns with respect to the various operating models, inequity in terms of cost to participate, operational effectiveness, staffing levels, program mix, and community access.

Moving to a regional focused operational model will facilitate a review of the types of programs and services being offered, categorized by recreation versus non-recreation, and inform the development of a regional financial model that can be applied for all HRM recreation facilities. It would be premature to indicate a required level of funding until a transition plan is prepared that takes into account all aspects of the operations. While it is expected that in the short term, minimal savings could be realized and potential additional transition costs may be incurred, long term efficiencies would realize significant savings and likely offset the annual deficits experienced by the facilities.

Integration of Administrative Services

In order to properly compare the costs of the two models requested by CPED, assessment of the administrative areas which could be integrated needed to be completed. That integration would not only provide consistent service levels to the users of the facilities, but analysis has shown that significant cost savings could also be realized. While some short term cost increases would be required to complete a full analysis and transition, long term savings would be achieved. The largest area in which savings could be realized would be in standardizing maintenance practices.

Maintenance and Capital Practices

HRM's Municipal Facility Operations staff currently provides all aspects of facility management services, augmented by contract services, to over 200 HRM owned facilities representing approximately 3.4 million square feet (sf) of buildings. HRM currently supports the facility management services with a staffing complement of 95 full time employees (FTEs). In comparison, for the eight facilities within this review, there are approximately 38 FTEs providing facility management functions to approximately 830,000 sf of buildings.

The total maintenance and operations budget for the eight facilities under the current governance structure is just under \$10M. Of this amount, \$2M is consumed in staffing costs at 5 of the facilities as there are a total of 38 resources involved in the maintenance of these facilities. The actual number of employees fluctuates depending on the age and infrastructure included at the facilities from an equivalent FTE count of 5 employees at Canada Games Centre and St. Margaret's Centre to a high of 10 FTE at Halifax Forum and Cole Harbour Place.

A review of the total cost per sq. foot to provide these services is an average of \$11.91 per sq. ft. with a range of \$8.91 to a high of \$23.98 per sq. ft. When comparing the provision of maintenance services for

the same facilities based on the HRM model, the average is \$8.24 per sq. ft. with a range of \$7.04 to a high of \$12.98 per sq. ft. Under HRM's model, services are provided directly through HRM staff and out sourced service providers. The total estimated budget to change the provision of maintenance services to the HRM model would be approximately \$6.6M. If MDFs were to employ the existing HRM provision model, savings in the amount of \$3.3M annually or a 33% reduction over the current costs paid collectively by the facilities may be realized.

Operating costs will vary for each facility based on factors, such as age of facility and the facility utilization. Deferred maintenance and capital work at some facilities may account for some of the variances. Savings and efficiencies would be achieved by standardizing maintenance and the consolidation of services such as snow removal, cleaning, pool maintenance, rink operations, etc. Currently, since each of the facilities is staffed independently, there is duplication of some staff positions. For example, each facility with a pool has an operator, as they are required to provide services to the pool when needed. However, each facility may not have enough work for the pool operators on a daily basis. In comparison, HRM currently provides pool maintenance utilizing a staff of 2 as well as external contract support to maintain 3 indoor and 6 outdoor pools. This is an example where, if pool maintenance services were integrated across the regional network, efficiencies and consistencies would be achieved. This is currently not easily achieved due to the fact that the employees work for each facility, not the network of facilities.

Facilities have indicated that there is insufficient workload to support a separate staff position on a full time basis for some maintenance areas. However, under the current governance model, each facility operates in a separate, autonomous basis which does not encourage the sharing of resources. As a result of the inefficiencies in the operating model, the main contributing factor to the high cost differential is the number of staff resulting in the amount of compensation paid to manage these eight facilities. If Regional Council approved a transition to direct oversight, the current maintenance operating approach would be part of the consolidation review.

Table 5 outlines the various components in each facility that requires maintenance and would be reviewed for consolidation efficiencies.

Table 5: Facility Composition

	Alderney Landing	Canada Games Centre	Centennial Pool	Cole Harbour Place	Dartmouth Sportsplex	Halifax Forum	Sackville Sports Stadium	St. Margaret's Centre
Square footage*	32,000	176,000	21,000	194,344	92,967	106,473	122,012	109,883
Year Constructed		2011		1989	1980	1927-Forum 1995-Civic	1988	1988
#Swimming Pools	-	2	1	2	2	-	2	1 (outdoor)
# Ice Pads	-	-	-	2	1	2	1	2
#Arena Seating	-	-	-	996/300	4,405	4601/850	400	866/343
#Tenants**	6	3	0	7	3	61***	6	2
Multi-purpose room	-	Yes	-	Yes	Yes	Yes	Yes	Yes
Indoor Gym	-	Yes	-	-	N/A	-	-	Yes
Fitness Centre	-	Yes	-	Yes	Yes	-	-	Yes
Track	-	Yes	-	-	Yes	-	-	-

*Derived from Enterprise Asset Management System

** Tenants are more long term, with exclusive use of space. Does not include rental contracts (e.g. hockey clubs).

***Facility tenants are event driven (not long term) and rent Multi-Purpose room, Maritime Hall, or either rink for a day or 20 days/yr.

As part of the analysis, staff also reviewed other recent changes of maintenance services to verify the potential cost savings. The bundling of building services and in particular ice maintenance has resulted in substantial savings to HRM as follows:

Alderney Gate: HRM recognized \$141,000 in savings by changing the property management function for Alderney Gate. Prior to consolidating this service in-house, a property management firm was providing the service at a cost of approximately \$217,000. Further economies of scale and efficiencies could be achieved if the entire maintenance component for Alderney Landing was merged with Alderney Gate. Currently, there are still separate garbage collection services, snow removal, cleaning services, and maintenance services being provided at Alderney Landing. For example, snow removal is provided by HRM however the parking lot is cleared by Alderney Landing. Garbage is collected at the same building utilizing two separate contractors who go to opposite sides of the building.

Ice Maintenance: Staff conducted a review of staffing at the four HRM operated rinks. Operations staff was consolidated at the Bowles, Gray, and Lebrun arenas. Operation of the Devonshire Rink was awarded to a contractor. Operational saving are approximately \$52,000 annually.

Emera Oval: Staff reviewed further saving opportunities in relation to the Oval where staffing costs in the 2010/2011 operating season were approximately \$140,000. By tendering the service for a three year period, a savings of approximately \$62,000 annually has been realized.

While MDFs are responsible for ongoing maintenance, HRM provides funding for all capital needs related to code compliance, health, and safety of the facilities which is critical to maintain these key recreational service delivery assets. Approximately \$3.2M annually has been included in HRM's capital budget and the 2015/16 capital budget continues the inclusion of HRM funding to ensure a state of good repair is maintained within the regional network of facilities. The annual budget allotment for state of good repair requirements would not change as a result of a changed governance model or a regional approach to recreation service delivery. Each budget cycle, requests for project funding for each facility is made to HRM based on the assessment of the work required. The amount budgeted for the regional facility varies each year depending on overall priorities and available funding. As a result of the Facility Condition Assessments completed in 2012, required capital investment to maintain asset conditions can be prioritized for each facility. Prior to the completion of these assessments, HRM did not have comprehensive information to validate the work requested. The assessment reports indicate that there is a total of \$22M in deferred maintenance required for these facilities.

In 2012, the reports indicated deferred maintenance required for the regional network of facilities was approximately \$22M. In some instances, facility maintenance practices have likely attributed to this high level of deferred maintenance. An example where deferred maintenance was found to be significant and contributing to both capital and operating costs was Centennial Pool. HRM staff took over the maintenance of Centennial Pool in 2012, transferring responsibility from the Board, as the facility had a significant amount of deferred maintenance and the facility staff did not have the expertise to operate the new mechanical systems. The deferred maintenance has also contributed to higher operating costs, as these issues are now being properly managed and repaired/replaced. Since HRM staff took over facility maintenance responsibility in 2012, approximately \$570k has been spent on overall facility maintenance not including capital expenditures. In addition, the transfer of responsibility ensures that the systems are maintained properly on a go forward basis.

The complexities of the large facilities require appropriate knowledge and technical skills to ensure capital and maintenance work is completed properly. For this reason, as well as to ensure capital work is completed in a timely manner and that safety items are not overlooked, risk management for the future

quality of the facilities should be under the control of the asset owner, HRM. Standardizing maintenance and capital facility work would enable efficiencies and savings to be realized. Not having the ability to directly oversee the delivery of work within the facilities exposes HRM to risk. There are project management risks associated with the MDFs delivering their own capital and major maintenance plans. HRM would be able to mitigate the risks through:

- Scope Management and Control;
- Standardization of Methodology-Project Management Processes;
- Auditing of the delivery process;
- Project planning to deliver Capital Program that uses fewer resources to achieve outcomes;
- Lessons learned can be applied to all facilities;
- Developing priorities from the request to optimize and improve the state of good repair;
- Developing priorities from the requests to optimize and improve the state of good repair;
- Improved monitoring of the Facility Condition Assessment; and
- Direct feedback and updating of the Building Condition Assessment.

While there would be significant savings with the transfer of maintenance to the HRM model, there may be a requirement for increased resources for the coordination of the capital and major maintenance work. Direct oversight of all these projects would ensure consistency in the level of support provided to the facilities. Additional savings may be realized, however, without a higher degree of control of the facility maintenance and capital components, it is difficult to definitively quantify.

Other Administrative Process Integrations

While significant savings would be able to be realized in integrated maintenance and capital processes, integration of other administrative processes would provide benefits that are less financially focussed and more efficiency and consistency based. The integration of HR, legal and financial administrative processes would yield some minor cost savings, but would also require additional resources to complete the transition of the processes. Currently, administrative processes cost in excess of \$4M at the facilities included in this analysis with the number of FTEs ranging from a low of 2 at St. Margaret's Centre to a high of 15 at Canada Games Centre for all back office administration processes. Based on the overall staffing levels, administrative staff represents 14.2%, on average, of the overall staffing complement. This percentage varies across the facilities with a 5.5% at Cole Harbour Place to a high of 19% at Canada Games Centre. Integration of administrative functions would enable some balance of staffing requirements and levels for the administration of the overall network.

In order to properly integrate "back office" functions, a review of all functions and a realignment of functions would be required. This would also require resources to be allocated to the integration process. Including the additional maintenance staff noted above, it is estimated that other new or realigned FTEs would be required to ensure proper integration of administrative functions. A summary of these additional requirements is as follows:

- Integrating all the facilities may have a cumulative impact for an additional 0.5 Finance FTE if no Boards remained and the reporting requirements to the Boards were no longer required. However, as the processes were incorporated, additional efficiencies may be realized which would negate this requirement. The current challenge is the requirement for ICT solution and business process solutions to have the MDFs compatible with HRM's systems and processes. If the direction was to maintain all the existing Board structure but direct that staff transition the finance functions (payroll, cash and receivables management, financial reporting) to be merged with HRM's, Finance would require 3 additional FTEs to absorb the work load and meet the financial reporting requirements to the Boards.
- Alternatively, if Regional Council was to assume direct operational control of the MDFs, the HRM Finance business unit could absorb the additional MDF scope of work with minimal incremental impact, requiring 0.5 FTE as mentioned above. This contrasted with the 7 FTEs that currently

perform the finance related roles at the MDFs and would provide a significant cost saving that would reduce the annual operating deficits experienced at some of the facilities.

- As well, the immediate and cumulative impact of changes in the governance or updating the current model would be an increase in the Municipality's use of its internal legal resources beyond what is currently available, resulting in the need a need to evaluate the impact of these changes on FTE requirements in Legal Services.
- Based on the number of estimated FTEs affected at the MDFs, utilizing the average Canadian HR ratio as reported by the Conference Board of Canada, additional human resources requirements would be 7 FTEs at an estimated cost of approximately \$600,000.

These additional resources would be able to be offset by current functions provided in the facilities on an individual basis.

Summary of Cost Comparison

In terms of assessment of the overall cost benefit analysis of a HRM direct delivered service which includes any required additional resources compared to the continuation of the current state board governance model, Table 6 outlines the costs and estimated savings.

Table 6: Functional Budget Analysis
Based on 2014/15 annual budget expenditures

	Total MDF (Current State)	Total HRM (Estimated)	Rough Savings (Estimated)
Total Facility Operations	\$9,896,584	\$6,649,622	\$3,246,962
Total Administration*	\$4,637,690	\$3,565,673	\$1,072,017
Estimated HRM Resourcing	\$0	\$1,250,000	-\$1,250,000
TOTAL Facility Operations and Administration	\$14,534,274	\$11,465,295	\$3,068,979**

*Administration includes General Management, Sales, Finance, Marketing, Customer Service, IT and HR.

**Savings does not include transitions costs.

Moving to a regional focused operational model would facilitate a review of the types of programs and services being offered, categorized by recreation versus non-recreation, and inform the development of a regional financial model that can be applied for all HRM recreation facilities. It would be premature to indicate a required level of funding until a transition plan is prepared that takes into account all aspects of the operations. While it is expected that in the short term, minimal savings could be realized and potential additional transition costs may be incurred, long term efficiencies would realize significant savings and likely offset the annual deficits experienced by the facilities.

Cost Recovery Model

HRM recognize the value of the Boards to the community and this autonomous model has worked in the past from a financial perspective, however, the current business models do not provide for autonomy as some facilities are not financially autonomous. Revenue sources are not meeting expenses in the current program service delivery environment. This not only provides opportunity for municipal input into the facility business model, but speaks to a responsibility of the municipality to ensure that, as an operating model, the facility is meeting appropriate needs and expectations (council directed mandate) as a recreation service provision vehicle. In turn, the degree to which autonomous Boards reserve exclusive

rights to business decision making is impeded significantly when there is an inability for whatever reason, to operate the facility at 100% cost recovery.

Since the 100% cost recovery model is not sustainable, it is recommended that the MDFs operate in a model similar to the existing HRM operated facilities. This regional funding model would remove the 100% cost recovery requirement however any subsidies would be informed by Regional Council's budget process, taking into account the surpluses and deficits accessed collectively by the regional network of facilities. In those cases, annual budgets and related business plans would be approved by Regional Council to ensure both costs and revenues are appropriate. Under the current governance model, there is no mechanism to ensure that costs and revenues are appropriate for the facility operation. Therefore, there is risk that additional debts would be realized if staff was directed to initiate the absorption of the outstanding operating and capital debts of the facilities. Without a means to ensure debt does not reoccur in the future, HRM would continue to be placed at significant risk. By aligning the budgets and business plans with HRM processes, there would be an administrative mechanism to ensure debts do not re-occur, appropriate expenditure controls were in place, and any cost reductions could be shared across all HRM owned facilities.

The standard MDF type facilities (Canada Games Centre, Cole Harbour Place, Dartmouth Sportsplex, Sackville Sports Stadium, and St. Margaret's Centre) have averaged a cost recovery rate of 91% before any HRM subsidy funding is received. The other facilities (Alderney Landing, Centennial Pool, and Halifax Forum) averaged 87%. Where HRM subsidy funding is not included, other financial support such as lease revenue, deferred payments, etc., are included. HRM also holds responsibility for all capital work and related expenditures to maintain the buildings, which is an additional subsidy provided to all of the facilities. As a result, without HRM funding support, only Cole Harbour Place, Halifax Forum and Canada Games Centre operated in a positive financial state. However, it should be noted that all three facilities have current external impacts that assist with their financial state – Halifax Forum now houses both St. Mary's and Dalhousie Universities, Cole Harbour Place houses a HRM library and leases space to Province of NS and, as a result of the 2011 Canada Games, the Canada Games Centre is a Canadian sport centre of excellence.

As indicated in the information report included in the February 20, 2013 meeting of the Audit & Finance Standing Committee *'Financial Performance at HRM's Regional Facilities'*, in recent years there has been a struggle for these boards to cover current operating costs and obligations, address outstanding debts, build financial capacity for future operations, and contribute to capital reserves that should be covered under the current operating model. The full cost recovery expectation is difficult to achieve for many facilities given several environmental and operational factors including some that are beyond the facilities' control, such as increased number of private and public recreational facilities, increased operational expenses, changing demographics, complexity of technology, and community expectations. Minimum wage alone increased five times since 2010, from \$8.60 to \$10.60 (24%). This has impacted costs for minimum wage employees, as well as others to prevent wage compression. Utility costs, in particular energy rates, increased on average 7% in 2012, 3% in 2013 and another 3% in 2014. Facilities have been able to manage increases through efficiency programs and savings in other areas, but are still unable to cover all costs without some type of HRM support.

Regardless of the governance model in place, there should be a change in the cost recovery expectation as it is clear that even after many operational improvements are put in place at the facility level, 100% cost recovery for this public service is challenging and not realistic for many of the facilities to achieve individually without impacting service delivery.

Summary

The current governance models are complicated and lack overall consistency and HRM remains in a restricted and reactive situation. More importantly, HRM holds significant risk and potential liability associated with the operation of these facilities. The operational, financial and community pressures experienced at the facilities will remain if the silo approach to recreation service delivery is continued. To effectively implement the objectives and priorities set out by Regional Council a consistent "one

recreation model” would provide the public with a more accessible level of recreation service delivery model.

With the significant operational, financial, and community pressures being experienced at these facilities, it is prudent for HRM to take a regional approach to the operation of the MDFs and overall recreation service delivery to ensure that operations are effectively and efficiently managed for the future and that the services provided meet all community needs while also aligning with Council's priorities. A regional integrated network of facilities with direct oversight by Regional Council would ensure consistent administrative functions, reduce administrative costs, generate process efficiencies, and provide clear/transparent reporting. In addition, access to a common ICT platform would provide an opportunity for a standardized service environment with improved services and data to make informed policy and programming decisions. This integrated, regional approach to recreational service delivery would mitigate risk to HRM. Risk management is a very complicated, difficult and resource intense process under the current governance model.

Further with over 70% of HRM's recreation expenditures outside of Regional Council's direct control, HRM is currently limited in its ability to influence the recreation service delivery to its citizens. This is further highlighted by the inability to fully implement the vision outlined in Regional Council's Healthy Communities priority. With over 50% of recreation expenditures being allocated through the eight facilities included in the MDF review project, changes to the decentralized and autonomous operation of these facilities provides the single largest opportunity for Regional Council to better enable implementation of Council's Healthy Communities priorities in a consistent manner across the entire recreation network along with standard processes and appropriate services that meet the needs of HRM citizens.

A regional, integrated network of facilities with direct oversight by Regional Council would ensure consistent administrative functions, reducing administrative costs, generating process efficiencies, and providing clear reporting. In addition, access to a common ICT platform would provide an opportunity for a standardized environment with improved data to make informed policy and programming decisions. This integrated, regional approach to recreational service delivery would mitigate risk to HRM.

HRM has the ability to encourage more cost effective operations however this is a challenge given the current fiscal reality of many of the facilities and may be too much to expect of volunteer boards. Currently, volunteer boards are being tasked with delivering, on HRM's behalf, strategic planning and decision making, community engagement, effective service delivery, financial stewardship, and efficient operations, maintenance and management.

Community involvement in recreation planning is important to make sure community needs are met. As volunteer capacity becomes increasingly limited, the focus of their involvement should be in areas where they can add the most value, providing community input and making recommendations to HRM to support optimal program service delivery. This would have the most positive impact for the volunteers, the community, and HRM.

HRM's administrative priorities of financial stewardship, organizational capacity, and service excellence should drive service delivery. In order for HRM to be able to secure efficient and effective programming and operations into the future at a regional level, a regional integrated network with direct oversight by Regional Council must be implemented. In order to ensure community input is retained and further enhanced, engaging residents through a community advisory committee able to focus providing input into programs and overall recreation service delivery is important. HRM would then be able to clearly ensure that the regional facilities provide services and programs that are inclusive, affordable, and accessible, providing opportunity for all to participate, as outlined in Regional Council's Healthy Communities focus area.

Overall, the analysis and consultation indicates that HRM should improve its ability to provide recreational services, maintain control of critical infrastructure, mitigate risk, and enhance service delivery. In order to achieve this, changes to the governance models need to be considered.

Municipality	Boards	Agreements	Structure	Operations	Funding Model	Reporting
Brampton	No	No agreements	-Centralized -Managed through Director of recreation	-Owned and operated by City	-Facilities collect program and services -Budget is part of City's Parks and Recreation budget	City employees
Hamilton	No	No agreements	-Community Services manages and operates recreation facilities, pools, clubs, arenas and stadiums	-Managed through City's Culture and Recreation Department -Profit sharing agreement in place for their four-pad with Nustadia	-Facilities collect program and service fees -Budget is part of City's Parks and Recreation budget	City employees
Laval	No	Old: City and association New: City and facility	-City is architect and builder of public facilities -Funding provided for infrastructure and physical activity	-Working towards partnerships with rec committees to make facilities & funding available to them -Looking to increase partnerships	-Old system, funds from tax revenues -New system, facilities responsible for own revenues	Non City employees
London	No	No agreements	-Centralized into City's Parks and Recreation Division	-Facilities owned and operated by City	-Facilities collect program and service fees -Budget is part of City's Parks and Recreation budget.	City employees
Surrey	Yes (advisory)	95% of services provided by City, rest through operating agreements (i.e. food, program and select facility operations)	-Six jurisdictions providing Community and Recreation Services	-Facilities owned and operated by City	-Collect program/admission and service fees -Subsidized by tax revenue	For contractors
Winnipeg	Volunteer board for each facility GCWCC acts as management body	Management agreement between City and GCWCC (also management agreements with each community)	-City owns facilities but autonomously run by boards	-Cooperation between City and local volunteers -Primary maintenance by Board, secondary by City	-Collect program/admission and service fees -Subsidized operating grants from the City	Non City employees
Vancouver	Elected board	Joint agreements between City and the 23 community associations	-Centralized through governing body, Vancouver Park Board	-Board of Parks and Recreation acts as steward for operations and management of community facilities	-Fees, levis, loans and funding from other levels of government -Part of City's budget	City employees (Vancouver Park Board)

(Source: Jurisdictional Scan: *Multi-District Facilities Management Across Canada*, Greater Halifax Partnership, Sept. 13, 2012)

Appendix 2: Analysis of Facility Management Models

Consistent with the findings in the GHP scan, four common facility management models were previously analyzed for HRM's regional facilities.

- 5) Community board run with Council policy direction
- 6) Outsource operation of facilities to private sector with Council policy direction
- 7) HRM staff operated based on Council direction
- 8) HRM staff operated with Council direction and community advisory committee input

Community board operated with Council policy direction

Under this decentralized model, HRM would remain the asset owner responsible for the state of the facilities' infrastructure and Regional Council would set overall strategic direction, but strategic planning, daily management, and operation of the facility would be the responsibility of the volunteer boards. The relationship would be defined and administered based on an operating agreement. This model is currently in place at Cole Harbour Place, St. Margaret's Centre, Canada Games Centre, Centennial Pool, Alderney Landing and Dartmouth Sportsplex. The governance model at the Halifax Forum is similar with the exception that the facility staff are HRM employees.

Under this model, volunteer boards are tasked, on HRM's behalf, with strategic planning and decision making, ensuring community involvement, service delivery focus, financial stewardship, operational efficiency and effectiveness, and facility maintenance. HRM would have the ability, through specific terms, to ensure there are administrative processes for accountability and oversight, as well as consequences to non-compliance with the agreements. Volunteer boards, while still independent from HRM, should operate based on the strategic objectives and direction of Regional Council. However, the strategic planning of the individual boards may not necessarily mirror the strategic objectives of Regional Council in practice. Therefore, it would be critical to include mechanisms for HRM to ensure strategic direction is aligned.

A decentralized model offers potential benefits for the individual regional facilities as follows:

- Arms-length relationships can provide a good deal of autonomy and freedom for the individual centres, in programming, operational processes and initiatives;
- Quicker adaptation to new ideas and initiatives may be possible;
- Management ability to respond to the community needs as they see appropriate; and
- Opportunities could be available, such as funding from other levels of government, partners, and donors or other supports, to the operating bodies that may not be available if HRM directly operated these facilities.

Challenges to this model are:

- Ensuring user and community engagement in overall recreation programming;
- Developing and administering the management agreements;
- Ability to control expenditures and deficits;
- Enforcement of consequences when expectations are not being met or acceptable processes are not being followed;
- Decisions may not be made with Regional Council strategic objectives in mind;
- Regional focus to programming and infrastructure needs;
- HRM bears the inherent risk with respect to the facility but is not directly responsible for its operation;
- Alignment of desired outcomes on a regional scale can be difficult;
- Lack of control in that boards have the ability to act contrary to HRM/Council direction;
- Defining HRM's role in board development and ensuring HRM input into training and skill sets;
- HRM's oversight role needs to be appropriately defined and maintained;
- Communication struggles may continue to persist;
- HRM's ability to influence rentals/event content is limited; and
- Community boards and volunteers accept fiduciary and management risks.

Outsource operation of facilities to private sector with Council policy direction

A relatively new facility management model has evolved in HRM, which is partnership with private sector operators (CFMP p.31). Under this model, HRM would enter into a management contract with a private entity to operate and manage the facilities. Management staff at the facility would take direction from a single entity that would have the direct reporting relationship with HRM. The private entity would have autonomy to operate, providing strategic direction, management, operations, programming, and administration support to HRM for an annual fee. A facility advisory committee could be in place consisting of the operator, HRM staff and community members to ensure compliance with the agreement and stated deliverables.

These partnerships can be beneficial in that:

- The private entity should have expertise in recreation facility management;
- Programming could be enhanced through best practice approaches;
- Pooling of assets can realize economies in operations; and
- Business mindset would drive effectiveness and efficiencies.

Alternatively, this model could be challenging as follows:

- Be complex, requiring a strong advisory committee;
- Require consistent monitoring to ensure business needs don't override community needs;
- Require a long-term financial commitment;
- Finding the right partner, given the mix of facility offerings;
- Ensuring user and community engagement in overall recreation programming;
- Developing and administering the management agreements;
- Enforcement of consequences when expectations are not being met or acceptable processes are not being followed;
- Decisions may not be made with Regional Council strategic objectives in mind;
- HRM bears the inherent risk with respect to the facility but is not directly responsible for its operation;
- Alignment of desired outcomes on a regional scale can be difficult; and
- HRM's ability to influence rentals/event content may be limited.

Identification of expectations on the part of HRM and the partner would have to be clearly defined and outlined in a contractual agreement. Further, this agreement would need to be closely monitored to ensure that Council's strategic direction and HRM requirements are met.

HRM staff operated based on Council direction

Under a centralized model, HRM would assume control and be responsible for direct management and service delivery at its facilities. This is the case with the existing municipally-owned and operated facilities, including Captain William Spry, Sackville Sports Stadium, St. Andrew's Centre, etc. In order for a centralized structure to be implemented successfully, HRM must determine the internal accountability structure that would be necessary to provide an optimized approach to recreation service delivery. A centralized model would provide HRM with the opportunity to be able to implement consistent processes and explore areas for operational savings and efficiencies.

A centralized model would provide the following opportunities:

- Ability to directly mitigate risk associated with the operation of the facility for users and taxpayers;
- Common approaches to program delivery based on Council's direction and expectations;
- Regional approach to program and infrastructure provision;
- Consistent operational policies and practices;
- Economies of scale with more effective use of HRM resources;
- Efficient processes and service delivery;
- More direct control of decisions;
- Tighter fiscal management;

- Increased knowledge of program, administrative and operational activities and initiatives across HRM; and
- Improved short and long term planning aligned with HRM strategic direction.

On the other hand, a centralized approach may present some challenges including:

- Risk of less community involvement without volunteer board participation;
- Sense of disconnect to community needs;
- Possible lost 'sense of ownership' and engagement by communities; and
- Identifying, managing, and transitioning staffing requirements.

HRM staff operated with Council direction and community advisory committee input

Great value is achieved by having community involved with the programming needs in their areas. Over the years, the current board model has become an onerous task on volunteers for many reasons. One of which is the enormous responsibility and expectations placed on the volunteers to be strategic planners, facility managers, programmers, communication experts, problem solvers, and financial managers of these facilities. At the same time, the financial performance expectation has led to operating decisions that have helped achieve financial results but may not have met community need. The community advisory model may provide a better opportunity for involvement with less risk of volunteer burnout and disengagement as it allows volunteers to focus on community input and programming recommendations rather than overall facility operation.

Under an advisory model, HRM would assume management of the facility and operations but seek programming input and recommendations from the community advisory committee for a collection of facilities. Citizens on the committee could participate in recreational service delivery, rather than the fiscal oversight and overall facility operation that they are currently tasked with under the current governance model. This would embody the strengths of a centralized model, allowing HRM to take a collective approach to managing these significant assets and their operations, but with the community still having an active role in planning for their needs without the administrative responsibilities. HRM would determine the internal accountability structure necessary and form relationships with the advisory committee. Formal terms of reference documentation could outline clear roles and responsibilities.

Some benefits provided by this model include:

- Community input into program planning and execution; Ability to directly mitigate risk associated with the operation of the facility for users and taxpayers;
- Clarity of roles and expectations;
- Efficiencies and effectiveness from HRM expertise and support;
- HRM control and focus on operational and strategic direction;
- Ability to strengthen communication within the regional network and development of a system of sharing initiatives and ideas;
- Ability to develop, implement and maintain a new financial model for regional facilities system;
- Consistency and standardization of operation policies and practices; and
- Economies and more efficient usage of HRM resources.

Implementing an advisory committee would address most of the challenges faced with an HRM staff operated model however limiting the administrative and operational authority of the committee may make it less appealing for committee members.

October 9, 2014

Mr. Phil Hammond
Halifax Regional Municipality
P.O. Box 1749
Halifax, NS
B3J3A5

Dear Mr. Hammond;

On behalf of the undersigned Boards thank you for organizing the joint session with the Multi District Facilities (MDF's) on Saturday, September 13, 2014. We are very pleased to be involved in the process and have input on HRM's MDF Project Phase 2 – Governance. We think it is useful to provide you with this letter to highlight some of our thoughts from the session and to put some context around the notes you provided to us from the meeting. The notes provided are statements around certain subjects so we have summarized the intent of all the comments provided during the session so it ties the information together.

It was very beneficial to be in the room with our partners and to be solicited for feedback and input so we can help inform the HRM staff recommendation to Regional Council. The Boards and staff of the MDF's are always open to how we can better serve our communities and think these types of sessions should be a regular occurrence with our key partner, HRM, in order to ensure the lines of communication are always open.

The agenda items of the session focussed on board governance, regional advisory committee, community access, guiding principles, standardization and integration. There were many great learning's in the session which can only benefit all organizations. The immense knowledge base that exists with the MDF staff and dedicated volunteers who serve our community cannot be underestimated.

We would like to highlight some areas and key points coming out of the session:

1. The MDF Boards unanimously recommended that the community boards remain intact and have autonomy in the operation of their facilities but understood the need for cooperation with our partners to achieve the positive results based upon the strategic relationship that is forged. Each community and facility is very different and a cookie cutter approach would be difficult to achieve in each of the communities that we serve. The Boards are community based and each is very responsive to the needs and wants of the community it serves. We feel moving to a one size fits all approach will be to the detriment of the citizens. The MDF's are able to adapt very quickly to the changing environment that we face to best serve our community.

Volunteers are the heart of the community and they are the closest to the community and Community based boards encourage community leadership, empowerment and provide a sense of ownership allowing HRM to play a facilitator role in the provision of services to the broader community. Community Boards provide HRM with subject matter specialists that are knowledgeable about the communities, are up to speed on issues, can be contacted and deliver expert advice to MDF staff in very little time. This structure provides HRM with: a direct connection to the community: a vehicle for building and sharing community leaders, building community pride and a channel for new ideas given the variety of backgrounds and experience.

2. The Boards concur that the agreements in existence today need to be changed and updated. We currently operate under a cost recovery model as mandated by HRM. We are asking for a clear mandate and new service delivery agreements that reflect the reality of the relationship with the municipality, that clearly outline HRM's strategic priorities for MDF's and provide clear

accountabilities for both the MDFs and the municipality achieving the Auditor General's recommendation for increased accountability.

3. Forming a Regional Advisory Committee of MDF's is an outstanding idea. This committee could be comprised of senior MDF staff, MDF Board representatives, HRM staff and HRM Regional Council representatives. With strategic direction from HRM, this type of committee is an excellent opportunity to share best practices, discuss cost sharing initiatives or opportunities, coordinate strategic initiatives, learn from others and implement the wishes of Regional Council through our service delivery agreements tailored to the specific needs of each community to best serve the municipality as a whole.
4. The Boards believe in community based programming, inclusion and access and are excited to build on what we already deliver. We also endeavour to engage in discussions with HRM to find out what these subjects areas mean to HRM and how we can work together to achieve the common goal and meet the priorities within our communities.
5. We know that cost of delivery is important to HRM and to all of our operations, and we agree that standardized systems and reporting would allow all of us to operate more efficiently. The Auditor General's report recommended that we work together to develop a standard which provides greater consistency in terms of leveraging HRM services and administrative function supports provided by HRM, and where leading practices at MDFs can be shared across the network of facilities. HRM's assistance is invaluable in allowing us to achieve this objective as a group. Currently the MDF's cost very little to HRM by the way of operating dollars thus having minimal impact on HRM's overall operating budget.

The MDF's welcome further discussion on areas outlined in the January 23, 2014 report to the Community Planning & Economic Development Committee of Council such as revenue and expense control, standard rates and fees, etc. We continue to believe that we can provide valuable input given the level of expertise we have in the operation of the MDF's.

Please let us know when you would like to gather the group again to discuss and have this included in the report. Again thank you for a great session with many positive outcomes.

Respectfully submitted by the Board Chairs;

Original signed



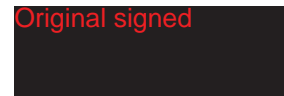
Canada Games Centre

Original signed



Cole Harbour Place

Original signed



Dartmouth Sportsplex

Original signed



Halifax Forum Community Association

Original signed



St. Margaret's Centre

CC. Shawn West, Coordinator, Multi-District Facilities

Danielle Paris, Senior Financial Consultant ✓