



CPED Motion – January 23, 2014

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:

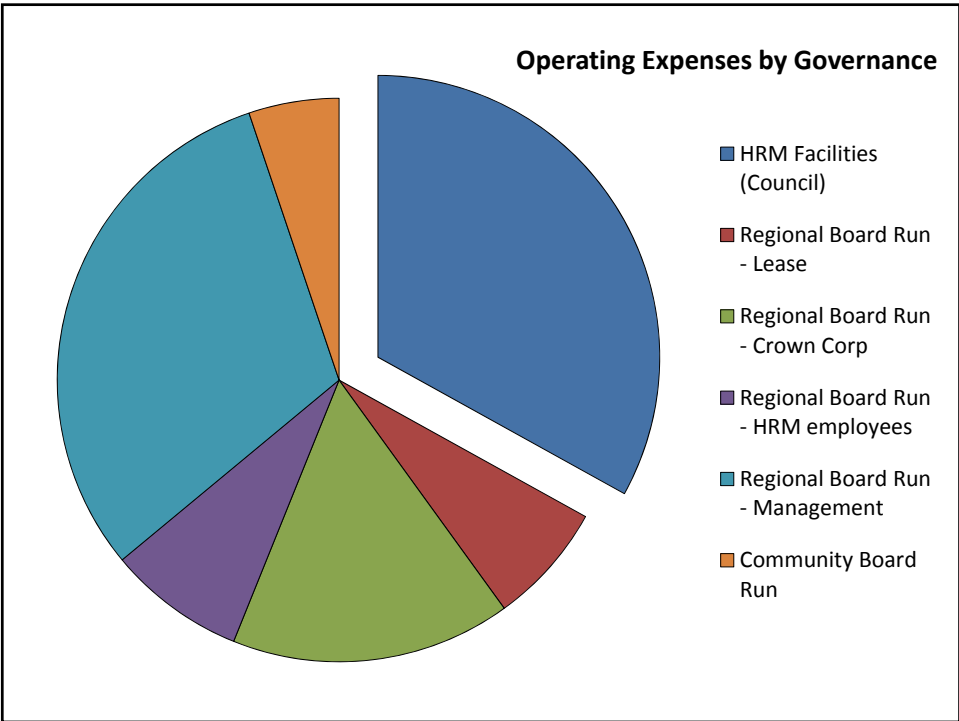
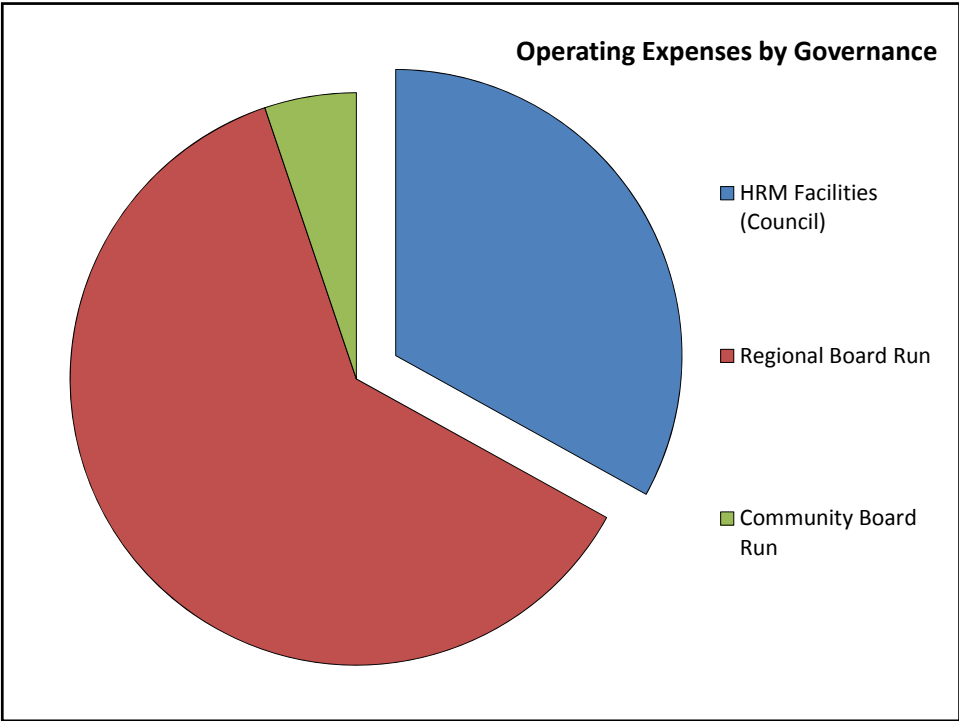
- That MDFs can no longer necessarily break even on own source revenues while meeting the public good for which they are intended;
- Presents the financial costs and benefits of a coordinated MDF system through Board Governance contrasted with direct HRM control;
- That a universal MDF community access plan which enshrines HRM Council's Healthy Communities priorities - inclusion, accessibility and unstructured play should be developed;
- 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;
- HRM will move to standardization of procurement, maintenance practices, safety practices, and fee structure across the MDF network;
- That a regional advisory council be created to advise, facilitate and coordinate in an ongoing fashion between the MDF Boards and HRM;
- 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.

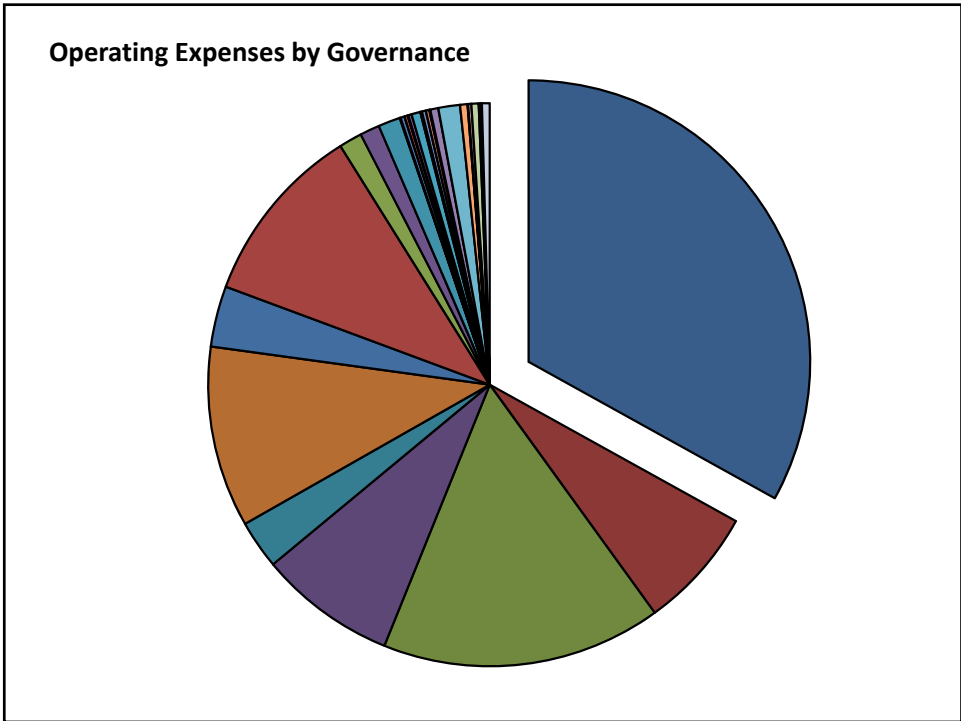
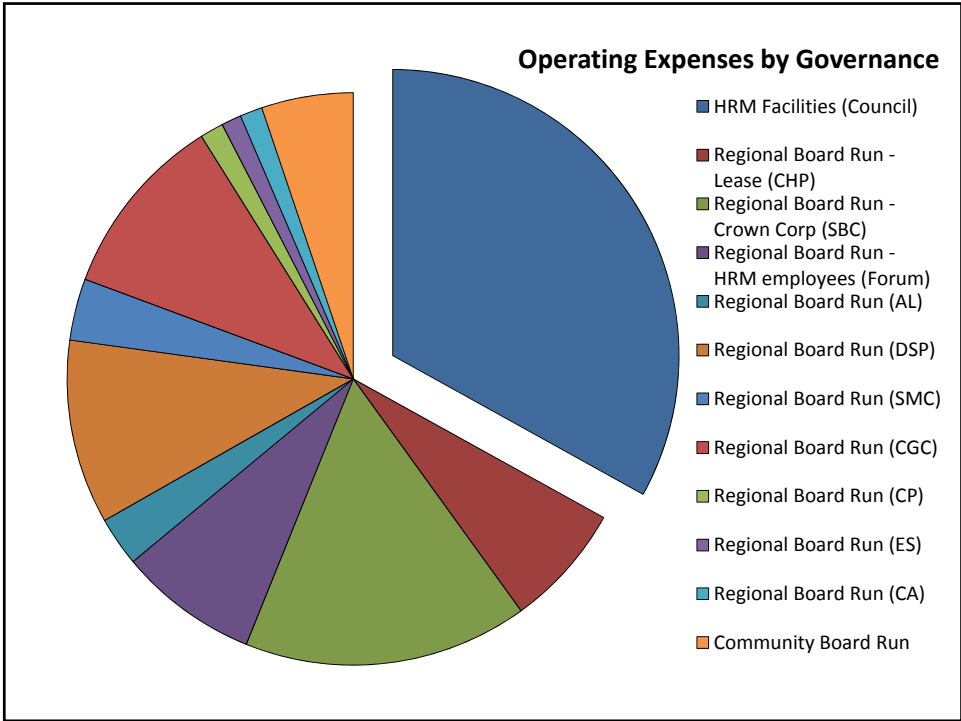
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Summary of Committee Motion

- Consultation with Boards
- Regional Advisory Board
- Healthy Communities priorities
- Integrated technology
- Standardization of “back office” processes and fee structure
- Cost recovery model
- Financial cost comparison – Board model versus direct HRM control
- Benefits comparison – Board model versus direct HRM control

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Board Consultation – What we heard

- **Board Governance**
 - Maintain autonomy and authority with in-house expertise and experience
 - Improve collaboration, strategic planning and HRM relationship with Regional Advisory Committee
 - Additional support required from HRM, in particular related to safety
- **Community Access – Healthy Communities Priorities**
 - Generally agree with and believe in access
 - Requires a relationship with HRM that provides clear direction, guidance, support and communication.
- **Standardization and Integration**
 - Common ICT systems beneficial
 - Pricing appropriate with service offerings
 - Opportunities related to safety, maintenance and procurement
 - Coordination of programming opportunities

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Regional Advisory Board

- HRM Recommendation
 - Regional board in place of separate, individual boards
 - “Hub & Spoke” model – outlined in Community Facility Master Plan
- Board Recommendation
 - Coordinating committee to supplement existing boards
 - MDF specific, not all recreation facilities

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Healthy Communities Priorities

- Community Access Plan
- Inclusion
- Accessibility
- Unstructured Play
- Community Based Programming

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Integrated Technology

- Majority of facilities at risk of failure – most high risk
- No consistent use of software
- No integration with HRM technology
- Highly manual processes

- Result:
 - No mechanism for data collection
 - Potential impact to users
 - Inability for “one-client” model

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Standardization of Processes

- Procurement – HRM accountable for compliance with the *Public Procurement Act*, legislation and implementation challenges
- Maintenance – individual facility operations, inconsistent practices, high staffing levels
- Safety – numerous safety concerns, need support from HRM to ensure safety requirements met
- Fee Structure – agree with improved standardization while maintaining unique aspects of facilities and local user group requirements

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Cost Recovery Model

- 100% cost recovery not sustainable – focus on commercial versus community
- Over \$7M in debt to HRM
- Annual collective deficit of \$1.3 M
- Absorption of debt requires mechanism to not repeat
- To address these items, Alternative 1 includes:
 - inclusion of budgets into HRM process
 - alignment with HRM business plans
 - approval by Council

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Comparison of Financial Costs

Functional Budget Analysis

Based on 14/15 annual expenditure budget

	TOTAL MDF (Current State)	TOTAL HRM Estimated (Future State)	Rough Estimated Savings
TOTAL FACILITY OPERATIONS	\$9,900,000	\$6,600,000	\$3,300,000
TOTAL ADMINISTRATION	\$4,600,000	\$3,600,000	\$1,000,000
ESTIMATED HRM RESOURCING	\$0	\$1,250,000	-\$1,250,000
TOTAL FACILITY OPERATIONS AND ADMINISTRATION	\$14,500,000	\$11,450,000	\$3,050,000

Administration includes: General Management, Sales, Finance, Marketing, Customer Service, ICT and HR
Savings does not include potential transition costs.

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Comparison of Benefits

- Direct HRM Control
 - Risk Mitigation & Avoidance
 - Occupational Health & Safety legislation compliance
 - Legal support to the MDFs
 - Leasing oversight
 - Consistent maintenance practices
 - Overall capital upkeep of HRM's assets
 - increased control over appropriate systems
 - Consistent administrative functions:
 - Process efficiencies
 - Procurement compliance
 - Consistent reporting
 - Consistent HR processes, policies and performance management
 - Common ICT platform: simplified and standardized environment
 - Better ability to meet recreation service needs for citizens
 - Improved ability for data driven decisions

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Comparison of Benefits

- Coordinated Board Model
 - 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.
 - Consistent ICT technology possible with Board agreement
 - Some standardization of processes possible with Board agreement

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Conclusion

- Require common recreation service delivery objectives/vision and an effective single point of accountability
- Opportunity for significant savings through operational efficiencies
- Focus on expenditure control and shared services could eliminate the MDF network annual deficit
- Current “break even” direction within individual agreements does not facilitate delivery of Council’s Healthy Community Priorities
- Significant operating risks, especially OHS and facility maintenance, to which MDFs require assistance
- Current technology not aligned and at risk of failure. Integrated technology platform represents best opportunity to improve recreation service delivery

Bottom Line: Increased support and accountability are required
Challenge: What is the best approach?

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Staff 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.

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Alternatives

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

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CPED Motion – September 17, 2015

MOVED by Councillor Watts, seconded by Deputy Mayor Nicoll that:

Community Planning and Economic Development Standing Committee 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; **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.***

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