



# HALIFAX

P.O. Box 1749  
Halifax, Nova Scotia  
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**Item No. 14.1.8**  
**Halifax Regional Council**  
**December 13, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer  
Original Signed by   
\_\_\_\_\_  
Jane Fraser, Acting Deputy Chief Administrative Officer

**DATE:** December 7, 2016

**SUBJECT:** Multi-District Facility (MDF) Project Plan

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## **ORIGIN**

October 6, 2015 Halifax Regional Council motion:

Moved by Councillor Mason, seconded by Councillor Whitman

That Halifax 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 an 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 initiate 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, for approval at that time

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.

**AMENDED MOTION PUT AND PASSED**

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## **LEGISLATIVE AUTHORITY**

### ***Halifax Regional Municipality Charter,***

#### Section 75 - Agreements

- (1) The Municipality may agree with any person for the provision of a service or a capital facility that the Municipality is authorized to provide.
- (2) An agreement made pursuant to subsection (1) may allow for the lease, operation or maintenance of the facility or provision of the service by a person...

#### Section 79 – Power to expend money

- (1) The Council may expend money required by the Municipality for  
...  
(k) recreational programs;  
...  
(x) lands and buildings required for a municipal purpose;  
(y) furnishing and equipping any municipal facility;  
...  
(ah) playgrounds, trails... bicycle paths, swimming pools, ice arenas and other recreational facilities;

## **RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Direct staff to negotiate a five year Management Agreement for the seven facilities listed as per the key terms and conditions in Table 1 of the Discussion section of this report ;
2. Direct staff to provide a report(s) to the Audit & Finance Standing Committee for Regional Council's consideration that recommends the proposed Management Agreement and outlines the process and funding options to complete the absorption of outstanding debts and deficits for each of the facilities listed in Table 1 of the Discussion section of this report;
3. Retain Sackville Sports Stadium as a HRM-operated facility integrated within the municipal administrative structure; and
4. Approve the one year Management Agreement between HRM and the Canada Games Centre Society, as found at Attachment 2, and authorize the CAO to execute the agreement and to exercise at his discretion any renewal options of the agreement.

## **BACKGROUND**

Overall, recreation service in HRM is delivered through a hybrid system, with several facilities operated by third parties and others 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 Multi District Facilities (MDF) project alone, four of these models exist.

HRM's recreation system includes approximately 70 indoor recreation buildings which have a footprint of approximately 190,000 square metres or 45 acres. The MDFs are a significant portion of the municipalities' 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.

HRM's network of facilities also has total annual expenditures of approximately \$45 million. 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 spending 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 oversee and manage 70% of the recreation expenditures limits HRM's ability to provide effective and efficient services to its citizens.

As a result, in the fall of 2011, staff undertook an analysis of 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 facilities (MDF) portfolio. Subsequently, at the November 8, 2011 meeting of Regional Council (<http://www.halifax.ca/council/agendasc/documents/111108ca1131.pdf>), 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.

The eight MDFs included in the review represent 39% of the total footprint and 42% of the estimated replacement value of HRM's recreation facility portfolio. Further, with annual expenditures exceeding \$23 million, these eight facilities represent 51% of the annual operating expenditures of HRM's recreation facility portfolio. Because of the size and resources utilized, the MDFs are a significant component of HRM's recreation service and need to play a pivotal ("hub") role in service delivery as approved by Council in 2008 as part of the Community Facility Master Plan (CFMP).

On March 19, 2013, Regional Council declared Phase 1 of the MDF Project (Accountability and Reporting) 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 MDF 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 and authorized staff to undertake consultation with the community boards. Staff presented the supplementary report to CPED at its September 17, 2015 meeting. At the October 6, 2015 meeting (<http://www.halifax.ca/council/agendasc/documents/151006ca1144.pdf>), Regional Council directed staff to develop a standard board governance model for the facilities included in the MDF Project Phase 2 and implement new agreements that achieve the specific components outlined in the origin of this report.

## **DISCUSSION**

In order to effectively respond to Regional Council's direction, staff has completed the necessary analysis to be able to determine both the administrative processes and the agreement structure that will be required to implement new management agreements that best meet that direction. This work has resulted in proposed key terms and conditions that have been discussed with MDF representatives. Staff is seeking Regional Council's approval of the key terms and conditions and implementation approach before considerable resources are expended in the development and negotiations of detailed agreements.

Through the additional work on the key components, staff has finalized the general key terms and conditions that will be required to implement Council's direction and provide overall improvements in the standardization of the governance and operation of the facilities. In preparation for the standard management agreements, staff met with the boards of the facilities. These meetings outlined Regional Council's direction and core principles that would inform future management agreements. The Boards were provided opportunities to outline concerns with the terms and conditions. Two Boards provided feedback which has been incorporated into staff's recommendations and/or future implementation plans.

Council acceptance of the key terms and conditions that will form the new agreements is necessary to enable an efficient and effective negotiation process culminating in the agreements. Council's acceptance of the key terms and conditions as the mechanism to achieve its overall direction will help to mitigate delays or risk of not being able to complete the negotiation of new agreements.

This report is organized consistent with the components outlined in the Council's motion that will enable improvements towards standard governance of the operation of the facilities. As a result, it provides a brief overview detailed information presented in Attachment 1 of the following components:

- Regional Funding Model;
- Debt Absorption Approach;
- Budget and Business Plan Process;
- ICT Technology
- Employer Relationships;
- Safety Review;
- Community Access and Consistent Pricing; and
- Advisory Board Governance Options.

### **Regional Funding Model (October 6, 2015 Regional Council motion, bullet a)**

As part of Council's direction, staff was directed to develop an appropriate regional funding model for the facilities moving forward. HRM currently undertakes and funds all facility capital work related to code compliance, health and safety. The boards are primarily responsible for operating costs of the facilities. The regional funding model is designed to ensure a regional approach to funding the MDFs in order to achieve a collective net zero operating budget.

Currently, financial support is provided to facilities in an inconsistent manner. As outlined in Attachment 1, only certain facilities receive subsidies and some do not require the financial support. The current funding support is based on historical practices without any analysis or confirmation of current requirements. The proposed regional funding model would replace the 100% cost recovery model and inconsistent subsidy provision. The model would require a transparent and evidence based assessment of any requested subsidies required by the facilities to enable a net zero budget. By aligning the budgets and business plans with HRM processes, there would be administrative mechanisms to ensure operating debts do not re-occur, annual approval of funding requests by Regional Council and consideration of

funding adjustments to support volunteer boards in addressing program delivery, inflationary pressures, etc. With this recommended approach, Regional Council would have appropriate oversight of the facilities' budgets to ensure the recreation service model is reflective of citizen's needs and expectations.

Currently, HRM budgets \$718,000 to provide the operating subsidies annually to MDFs. While the total amount requested by facilities would not be known until budget submissions are received each year, based on the analysis, it is expected that a similar amount of funding could be expected to be requested in future years. However, the distribution and exact amounts could expect to change based upon future potential recreational programming requirements. As well, the proposed regional funding model will require Regional Council to approve annual funding requests from the Boards.

#### Capital Reserve Funds

Reserve Funds are a related component of a regional funding model and a useful long term financial planning tool. There are currently three MDF facilities which have accumulated an operating surplus over the past years: Canada Games Centre, Cole Harbour Place and Halifax Forum. Staff would propose transferring the accumulated surplus funds to the Multi-District Capital Reserve and allocating the funds for future capital requirements at the specific facilities. It is also recommended that any future accumulated operating surpluses for all of the facilities be moved into the reserve. This is similar to the capital reserve process currently in place for Scotiabank Centre and the BMO Centre which would require the MDF facilities to transfer cash to HRM equal to the amount of the reserve to be established.

While planning and overall budgeting for the work is completed as part of the capital budget process, the capital reserve offsets the costs of ensuring facilities are maintained in a safe, functional and good state and also help to mitigate the high cost of deferred revitalization projects which have occurred historically. It will also ensure that there is transparency and accountability with how the funds are spent.

#### **Debt and Deficit Absorption (October 6, 2015 Regional Council motion, bullet b)**

The total amount of receivables and outstanding debts owed by the MDFs to HRM, as of March 31, 2016, is \$8,484,716. As outlined in previous reports to Council, there is little to no ability for several of the facilities to address these debts. Attachment 1 tables 6a and 6b outlines the steps currently taken by HRM towards the absorption of the debts and deficits as well as the remaining outstanding commitments.

The absorption of both the deficits and debts is a complex process and would require approval of funding by Regional Council. Therefore, it is recommended that staff be directed to present the necessary steps and proposed funding source to the Audit & Finance Standing Committee prior to consideration by Regional Council and that the timing of such consideration coincide with the execution of the new management agreements.

#### **Budget and Business Plan Process (October 6, 2015 Regional Council motion, bullet c)**

To ensure effective stewardship of publicly owned assets in support of HRM's recreation outcomes, each board will be required to deliver a proposed annual budget and business plan to HRM for presentation to Regional Council that outlines:

- how the operation of the facility supports HRM's recreation outcomes
- specific plans to enhance HRM's recreation outcomes
- all proposed changes to facility programming with detailed rationale
- proposed annual budget which may include a requested operating subsidy

As noted, 70% of recreation expenditures are by facilities that are operated by community boards and, as such, fall outside the direct control of Regional Council. The eight facilities in the MDF project alone represent 51% of those expenditures. As a result, those expenditures have not historically been impacted or adjusted as part of HRM's budget deliberations. Instead, Regional Council has only been able to make expenditure adjustments to the 30% of recreation spending that falls under its direct control.

Through the new budget and business plan processes outlined in the new agreements, Regional Council will have more control and oversight over the majority of expenditures within HRM's recreation portfolio. While the Council direction involved only the eight facilities included in the project, the improvements outlined in Phase 1 have improved oversight of all community boards. The improvements and clarity outlined in the new management agreement template will form the basis of improvements for negotiations with other community boards once the MDF project is completed.

### **ICT Technology (October 6, 2015 Regional Council motion, bullet d)**

The Sackville Sports Stadium (SSS), Halifax Forum, and Dartmouth Sportsplex currently receive ICT programs and services from HRM, although they have separate recreation services software which is not integrated with HRM. The remaining MDFs currently source and supply their own ICT programs and services, and they have different recreation services software. This results in inconsistencies for customers and staff, and also makes it difficult to collect and aggregate data that can be used to inform decision making for regional assets and programming. Having different systems and software throughout the MDFs also prohibits implementing a "one-client model" as the different systems do not permit communication between the facilities in regards to members, pricing and programs.

In order to streamline services to the public, it is recommended the same ICT programs and services are installed and maintained across the MDFs. There will need to be a staggered approach for implementation of all ICT programs and services which will commence after the execution of new management agreements and selection of the new recreation services software.

Attachment 1 outlines the details regarding the implementation of ICT services to the MDFs, including necessary funding which will be further refined for inclusion in an upcoming future budgets. The timing of the implementation and, as a result, the required timeline the funding will be dependent on the schedule for the completion of the recreation software project and phased approach for implementation of all ICT services in the MDF facilities. Work on the recreation software project has commenced and the MDFs have been included in the requirements analysis in preparation for the implementation.

### **Employer Relationships (October 6, 2015 Regional Council motion, bullet e)**

With the current governance structure, staff at most of the MDF facilities are non-HRM employees. With the exception of the Halifax Forum and SSS, these board-managed facilities uphold the characteristics of a clearly defined employee/employer relationship in that they are employed by and take their direction from the society board. As a result, the management agreements will clearly outline that relationship and the responsibility of the boards in the management of the staff.

The Halifax Forum and SSS are exceptions as they are staffed by HRM employees. While the two facilities have distinct reporting structures, the staff are governed by the terms of the *HRM Charter* which establishes the reporting structure of the Municipality. Council communicates with employees of the Municipality solely through the CAO, who has authority over the staff.

As a result of the authorities and responsibilities outlined in the *HRM Charter*, a board operating model with HRM employees providing the facility management and program implementation is challenging.

The specific impact on the operation of the SSS and Halifax Forum is outlined below.

#### Sackville Sports Stadium

HRM assumed operating responsibility for the SSS in August 2003 and the staff fell under the exclusive direction of the CAO, consistent with the *HRM Charter*. Through that process, the SSS was transitioned into a HRM operated facility, similar to other recreation facilities which are operated by HRM staff. All administrative, financial and staffing functions are fully integrated within HRM systems and processes. As a result of these changes, the current existing governance model for the SSS has enabled improved safety, cut forecasted deficits through expenditure control, reduced user fees, and expanded

programming. As well, revenues and expenses have been adjusted to accurate and appropriate amounts along with realignment to more community focussed recreation service delivery. Further, had the expense review not occurred, the facility may have been realizing a net deficit of close to \$2M.

Therefore, it is recommended to retain SSS as a HRM direct operated facility integrated within the administrative municipal structure in order to continue to support the proven efficiencies and clear reporting structure.

#### Halifax Forum

Currently, the Halifax Forum is governed by The Halifax Forum Community Association and staffed by HRM employees. The Board provides direction to the General Manager, who in turn directs staff's daily activities. As a result, staff follows direction from the Board and not the CAO, which can be problematic and does not easily align with the terms of the *HRM Charter*, Sections 33-35 as described in Attachment 1.

Therefore, while Council has directed to retain the board structure at the Halifax Forum, the management agreement will need to clearly define roles and authorities in order to ensure the appropriate and legally defined employer relationship exists. This is a key requirement to mitigate risk regarding the employer-employee relationship. Given the challenges associated with this model, staff would not recommend expanding this governance approach to other facilities.

While the recommended approach for both the Halifax Forum and SSS does not fully implement Regional Council's direction for a standard governance model in the short term, it is seen as the best approach to transition the facilities. With the planned rehabilitation of the Halifax Forum, as well as implementation of other short term components of the MDF project, such as ICT changes and safety improvements, maintaining a consistent operation of the facilities will help with the implementation of the short term improvements and mitigate any challenges that could impact service to citizens. After the initial term of the new management agreement and short term implementations, the governance structures should be reviewed again to move towards more standardization in the governance model.

#### **Safety Review (October 6, 2015 Regional Council motion, bullet f)**

There are improvement opportunities with respect to safety in facilities of the size and complexity of the MDFs. The previous review determined there were no dedicated occupational health and safety resources in any of the facilities. HRM, as the facility owner, has responsibilities under the Nova Scotia Occupational Health and Safety Act, and it is important to ensure the facilities receive an appropriate level of support. HRM has completed a safety review of all of the facilities and details of those reviews are outlined in Attachment 1.

As the operators of the facilities, the community boards will be accountable to resolve operational issues that are identified, while HRM will be primarily responsible for capital issues. Moving forward, the standard management agreements will contain contractual language to clearly define the board's responsibilities to address any safety issues within their respective facility and implications for non-compliance with Occupational Health and Safety legislation.

#### **Community Access and Consistent Pricing (October 6, 2015 Regional Council motion, bullet g)**

In order to address Regional Council's priority of healthy communities, there was a general consensus among MDF boards that there was a need for more clearly defined strategic objectives identified by HRM with opportunities to collaborate in order to achieve these goals. By integrating language into standard management agreements that reflect Council's priorities including, but not limited to, improved consistency of MDF user fees and community access, HRM can more clearly define its objectives. The standard management agreements will enable further implementation of the principles of HRM's

Community Access Plan. This implementation, along with improvements towards consistent fees and integrated technology in place across all MDFs, will also facilitate moving towards a “one-client” model.

**Advisory Board Governance Options (October 6, 2015 Regional Council motion, bullet h)**

Under the current governance model volunteer boards are tasked, on HRM's behalf, with undertaking strategic planning and decision making, ensuring community involvement, focussing on service delivery, providing financial stewardship, providing operational efficiency and effectiveness, and undertaking routine facility maintenance. With the direction to maintain the current board structure and implement new management agreements for the operation of the facilities, the current governance structure meets the intention of advisory boards. As such, it is not recommended that additional advisory boards be created as it would be a duplication of the current board's mandate could effectively undermine the role of the current boards.

As outlined in Attachment 1, HRM is currently undertaking a pilot project to test the “hub and spoke” model at the SSS. The pilot is expected to be completed in 2017 after which, staff will better able to make recommendations on the best potential advisory board options. While there are several options that could be explored, including the participation of Community Council or implementation of a community based committee, it will be important to complete the experience of the pilot “hub and spoke” model to better understand the potential benefits, challenges, municipal support and opportunities that would need to be considered to ensure an effective model.

**Alderney Landing (October 6, 2015 Regional Council motion, additional item)**

As part of the October 2015 motion, Regional Council also requested “...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.”

The board and staff of Alderney Landing have indicated that the facility should not be included in the MDF project as it does not have similar challenges, operations and programs to the other facilities. In 2011, when Regional Council initiated the MDF project, the facilities included were those that had significant outstanding debt, operating deficits or accountability concerns. Alderney Landing was included due to the outstanding debt which the facility had no capacity to repay.

Although different in their approach of providing services to the public, it is recommended that Alderney Landing continue to be included in the implementation of the MDF work. As outlined in Attachment 1, there are benefits for Alderney Landing to remain in the MDF project while also mitigating risk to HRM.

**Standard Management Agreement (October 6, 2015 Regional Council motion, primary motion)**

All of the above noted components of Regional Council's direction have been addressed through the creation of key terms and conditions as outlined in Table 1. The key terms and conditions will form the basis of the new management agreements that enable improved clarity and standardization within the regional facilities and form the basis of future improvements across the broader recreation network.

With the current age and variation of the existing operating agreements for the facilities, implementation of standard terms will result in more changes for some facilities than others. This is particularly true for Cole Harbour Place, the only facility currently operated under a lease agreement as opposed to a management agreement. However, standard terms and conditions will result in clearer expectations and consistent support for the operation of the facilities. These improvements will be beneficial to both the volunteer boards and HRM staff in the execution of the agreements. As well, standard management agreements will enable Regional Council to ensure that the facilities are better meeting citizen's needs.

The proposed MDF agreement principles, outlined in Table 1, are outlined to achieve Regional Council direction, enable board success, ensure appropriate and legal employee/employer relationships and



provide financial accountability to ensure long-term success in the delivery of recreation services.

Table 1: MDF Key Terms and Conditions

Term	Initial five year term
Commencement Date	Commencement within 2017/18 fiscal year to enable full participation in processes for the 2018/19 budget cycle.
Facilities	Management agreements will be negotiated with the volunteer boards for: <ul style="list-style-type: none"> <li>• Alderney Landing;</li> <li>• Canada Games Centre;</li> <li>• Centennial Pool;</li> <li>• Cole Harbour Place;</li> <li>• Dartmouth Sportsplex;</li> <li>• Halifax Forum; and</li> <li>• St. Margaret's Centre</li> </ul>
Renewal Option	HRM may automatically renew for two 5-year terms beyond the initial term. HRM must exercise notice in writing to individual board(s) prior to the final year of any term if this is not to be exercised.
Notice	Either party shall have the option to terminate the agreement upon providing twelve (12) months' written notice to the other party at any time or for any reason. Either party may terminate the agreement for a material breach, upon giving written notice of the breach and time to remedy it (to be negotiated).
Annual Budget, Business Plan & Council Presentation	Each operating year, the board(s) shall deliver a detailed proposed draft business plan no later than December 31 or 30 days after notice from HRM, including: <ul style="list-style-type: none"> <li>• Anticipated revenues</li> <li>• Operating and maintenance expenses</li> <li>• Requested subsidy (if any)</li> <li>• Detailed narrative of any significant proposed changes of the future years operations for both expenditures and revenues, including impact of achieving HRM budget target requirements</li> <li>• Requested withdrawals, if any, from the Capital Reserve Fund</li> <li>• Vision and mission statement</li> <li>• Strategic priorities and goals</li> <li>• Performance measures</li> <li>• Risk analysis</li> </ul> <p>HRM shall provide a list of programming focus areas to the board(s) to inform the business plan submission. The board and HRM staff shall jointly review and align priorities. HRM staff may suggest changes to the proposed budget prior to Council presentation.</p> <p>Staff with support from the Boards will be responsible to prepare and make a presentation to Halifax Regional Council on proposed budget.</p>
Employee Status	All agreements are to clearly define legal employee/employer relationship. <ul style="list-style-type: none"> <li>• Halifax Forum agreement to outline conditions related to HRM employees.</li> </ul> <p>All other agreements to clearly define those facilities that are operated by employees of the respective volunteer boards and not HRM employees.</p>
Strategic Plan	The Board shall provide HRM a five year strategic plan on an annual basis.

Funding	A regional funding model will be established which will replace the one hundred percent cost recovery model through annual budget approval including Council's consideration of subsidies, subject to the appropriation of funds through the annual budgetary approval process.
Debt Absorption	HRM staff will undertake the process to complete the absorption of outstanding operating and capital debts and deficits of the facilities, upon execution of new management agreements to ensure alignment with budget and business plan requirements. Completion of the absorption requires approval of Regional Council, subject to the subject to the appropriation of funds
Operating Deficit	If a budget deficit is realized, the Board shall submit a deficit report, outlining reasons, and recommendations for resolution. If three consecutive budget deficits are realized, the Management Agreement will be terminated.
Occupational Health and Safety	<ol style="list-style-type: none"> <li>1. The Board(s), as the operator of the facility, will assume the primary responsibility in creating a safe and healthy workplace consistent with HRM's policies and compliant with all applicable Acts, laws and regulations.</li> <li>2. HRM has the right to investigate immediately if there are health and safety or environmental concern(s) with a facility and take necessary steps to ensure compliance.</li> <li>3. HRM may conduct an annual inspection.</li> </ol>
Reports	<p>Board(s) shall provide to HRM no later than 45 days after requested:</p> <ul style="list-style-type: none"> <li>• Quarterly Financial reporting templates (variances, forecast, etc.).</li> <li>• Annual Summary and analysis of recreational programming events, participation, rentals, etc.</li> </ul> <p>Other reports as agreed upon by the parties.</p>
Surpluses and Capital Reserve	All surpluses generated by the facility shall belong to HRM and shall be held in a designated Capital Reserve fund. Approval from Regional Council required to make withdrawals from Capital Reserve submitted by the individual boards.
Information Communications & Technology (ICT)	The Board(s) agrees to use HRM delivered ICT programs and services (where and when available), including support and maintenance, subject to appropriation of funding.
Policies	The Board(s) agrees to act in a manner consistent with HRM policies.
Community Access & Pricing	The Board(s) agrees to implement HRM direction outlining community access requirements, fee study implementation and initiate changes towards the implementation of consistent "one client" pricing and membership model across all facilities, once developed.

**Next Steps**

Should Regional Council approve the terms and conditions as outlined in Table 1, staff would complete development of the agreement and then initiate formal negotiations of the new standard management agreement with a goal of having all agreements approved by Regional Council and the boards in the 2017/18 fiscal year to enable full participation to meet processes for the 2018/19 budget cycle. Concurrent with those negotiations, staff would also undertake the necessary reports to Council to update the Business Case for the Multi-District Facilities Reserve and prepare necessary information to complete the absorption of debts and deficits upon execution of the agreements.

While the boards have been consulted on the principles of the proposed agreement, should negotiations not be successful, staff would return to Regional Council for additional direction which could likely result in a delay to implementation.

### **Interim Agreement Canada Games Centre**

On May 31, 2013, a one year Interim Agreement was executed between HRM and The Canada Games Centre Society. Since Canada Games Centre (CGC) was one of the facilities included in the MDF Project, the Interim Agreement was put in place while that work was completed. The interim Agreement did not provide for a specific renewal period or an automatic option to renew. Since the work on the governance of the regional facilities was still ongoing, Regional Council approved a continuation to the agreement on October 28, 2014. That renewal subsequently expired on January 15, 2016.

Despite the intention of both parties and steps taken to complete the renewal in a timely manner, a properly executed document was not achieved by the renewal date. As a result, Regional Council must now enter into a new management agreement, substantively the same as the previous management agreement that expired on January 15, 2016.

With direction from Regional Council in October 2015 to negotiate new management agreements with the regional facilities, work on the terms and conditions for the new agreement has been completed as outlined in this report. Through this process, a new agreement with the Society will be negotiated. However, since implementation of Council's direction related to the governance of regional facilities, including the negotiation and finalization of the new agreements will take time, it is prudent for the existing interim agreement to be renewed. This will ensure appropriate oversight and operation of the facility continues while the new management agreement is completed. Therefore, it is recommended that Regional Council authorize the CAO to execute a new interim management agreement with Canada Games Centre Society (Attachment 2). This agreement includes the option for additional extension should the negotiation of the new management agreement with the Society extend beyond its initial term, which will expire one year from the date of its execution.

### **FINANCIAL IMPLICATIONS**

The costs associated with the MDF facilities are already included in HRM's operating and capital budgets and the consolidated financial statements. As a result, there are no direct financial implications associated with signing new agreements. Any future financial implications will be considered by Regional Council as part of the annual budget processes.

In addition to the \$5.5M already absorbed in HRM's financial statements there is an additional one time amount of \$3,375,304 to absorb the remaining debts and deficits resulting in a total absorption of \$8,955,502. The process and funding source to address the absorption will be provided in a report to Audit & Finance Standing Committee for Regional Council's consideration when each new facility agreement is brought forward for approval.

### **RISK CONSIDERATION**

There are no significant risks associated with the recommendations of this report. The risks considered rate low. Management and oversight of the proposed new management agreements will mitigate risk of potential financial, occupational health and safety, and/or legal concerns. There is a minor risk that one or more facilities may choose not to sign a new management agreement with the terms directed by Council. This risk has been reduced by reviewing the key terms and conditions with the facilities in advance of this report; however, should this risk occur, staff would return to Council for revised direction.

There are higher risks if the recommendations are not implemented. The network of facilities cannot achieve 100% cost recovery, causing an operating deficit to continue in some facilities. In addition accountability, transparency and the standardization of recreation service delivery will not be achievable.

## **COMMUNITY ENGAGEMENT**

Consultation was completed with the volunteer community boards and general managers.

## **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

## **ALTERNATIVES**

There are a myriad of alternatives which Regional Council could consider for the creation of new management agreements for the operation of the network of facilities. However, the majority of those would result in continued or further decentralization and inconsistency in recreation service delivery to citizens. Further, they could increase the risk to HRM, the facility users and HRM taxpayers.

- Alternative 1: Regional Council could choose to amend any of the key terms and conditions for the proposed new management agreements set out in Table 1 of the discussion section of the report.
- Alternative 2: Regional Council could choose to delegate authority to approve the new management agreements to the Chief Administrative Officer, or his delegate.
- Alternative 3: Regional Council could choose to direct staff to exclude certain facilities from the proposed standardized agreement process. This would result in further reduction of standardization across the facilities and potentially delay implementation of new management agreement with the facilities.
- Alternative 4: Regional Council could choose to direct staff to return with the new Management Agreements separately from the recommendations from the Audit & Finance Standing Committee.
- Alternative 5: Regional Council could choose to direct staff reinstate a community board at the SSS and negotiate a management agreement for its operation. In that case, it would be recommended that Regional Council direct staff to prepare a supplementary report for Council's consideration of the process, challenges and impacts due to the current integration of the facility within HRM's administrative framework and operation by HRM staff.
- Alternative 6: Regional Council could choose to direct staff to transfer the Halifax Forum to a HRM operated facility, similar to SSS, in order to enable consistency for facilities operated by HRM employees. Similarly, in that case, it would be recommended that Regional Council direct staff to prepare a supplementary report for Council's consideration of the process, challenges and impacts.
- Alternative 7: Regional Council could choose to not approve the Renewal Agreement with the Canada Games Centre Society.

## **ATTACHMENTS**

- Attachment 1: Multi-District Facility Project - Phase 2 Final Report
- Attachment 2: Renewal Agreement – Canada Games Centre

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 902.490.4210, or Fax 902.490.4208.

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**Attachment 1**

Halifax Regional Municipality (HRM)  
**Multi-District Facility Project - Phase 2**  
**Final Report**

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## 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.

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

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 establishment of a Regional Advisory Committee(s) structure and to develop a transition plan to transfer direct oversight of the multi-district facilities 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 was provided.

Staff presented the supplementary report to CPED at its September 17, 2015 meeting. At the October 6, 2015 meeting, Regional Council passed the following motion:

That Halifax 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 an 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 initiate 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, for approval at that time.

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.

This additional analysis forms recommendations regarding the negotiation of future agreements for the MDFs and contains necessary context information from the report at Regional Council in October 2015.



## Current Situation

The eight facilities included in the review represent 39% of the total square footage, 42% of the estimated replacement value, and 51% of the annual operating budgets of HRM's recreation facility portfolio. The MDF facilities range in size from 17,000-200,000 square feet. 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. Based on this, the MDF facilities are a significant component of HRM's recreation service and play a pivotal role in service delivery.

Table 1: Multi-District Facilities

Facility	Category (Community Facility Master Plan)	Type of Agreement	Facility Size (square feet)
Alderney Landing (AI)	Category 4-Events	Management Agreement	32,000
Canada Games Centre (CGC)	Category 2: Multi-District	Interim Agreement	176,000
Centennial Pool (CP)	Category 3: Indoor Sports	Management Agreement	17,430
Cole Harbour Place (CHP)	Category 2: Multi-District	Lease Agreement	200,000
Dartmouth Sportsplex (DSS)	Category 2: Multi-District	Management Agreement	115,900
Halifax Forum	Category 4: Events	Management Agreement	71,500
Sackville Sports Stadium (SSS)	Category 2: Multi-District	Operated by HRM	118,300
St. Margaret's Centre (SMC)	Category 2 Multi-District	Management Agreement	100,000

In order to respond to the October 2015 Regional Council direction, the following components were analysed and are outlined in this document:

- 1) Establish regional funding model;
- 2) Initiation of absorption of operating and capital debt;
- 3) Alignment of budget and business processes with HRMs;
- 4) HRM delivered ICT technology;
- 5) Defined employer relationships;
- 6) Completed facility safety reviews;
- 7) Access requirements and initiation of consistent pricing and membership models; and
- 8) Board governance options.

### **1. Establish Regional Funding Model (October 6, 2015 Regional Council motion, bullet a)**

#### **a. Operating Funding**

Historically, cost recovery has been the performance measure used to evaluate MDFs. It is based on the percent to which a facility can cover its operating costs through user fees, memberships, and other types of facility generated revenue streams. HRM's expectation of all facility operations was that 100% cost recovery be achieved. It is clear that even after many operational improvements are put in place at the facility level, 100% cost recovery for this valuable public good is very challenging and not realistic for many of the facilities to achieve individually without impacting service delivery. The full cost recovery expectation is difficult to achieve given several environmental and operational factors, some beyond the facilities' control, such as increased private sector competition, increased operational expenses, changing demographics, technological complexities, and increased community expectations. Collectively, these factors make it difficult for these facilities to achieve full cost recovery without an impact on service delivery.

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. The other facilities (Alderney Landing, Centennial Pool, and Halifax Forum) have averaged approximately 87%. While this calculation does not include direct subsidy funding, it does include indirect financial support such as lease revenue, deferred payments, maintenance support, etc. HRM is responsible for all capital work and capital expenditures to maintain these facilities. Without HRM funding, only Cole Harbour Place and Canada Games Centre operate in a consistent positive financial state. HRM recognizes the value all the volunteer Boards to the community and the proposed regional funding model is needed to ensure equitable funding is provided to ensure all Boards are able to meet the needs and expectations as a recreation service provider in the communities they serve.

At the October 15, 2015 Regional Council meeting, staff was directed to develop an appropriate regional funding model for the facilities moving forward. Cost recovery rates are calculated using operational revenues and operating expenses only. By separating subsidies and debt repayments, each facility's ability to cover ongoing operating costs through facility generated revenues alone can be determined. HRM is currently responsible for funding all facility capital needs related to code compliance, health and safety, and therefore, the facilities are primarily responsible for operating costs. Therefore, the regional funding model is designed to offset facility operational expenses.

The proposed regional funding model will remove the 100% cost recovery model and any subsidies would occur through Regional Council's budget process. By aligning the budgets and business plans with HRM processes, there would be an administrative mechanism to ensure debts do not re-occur and a mechanism for the Boards to annually review funding levels with Regional Council.

Currently half of the facilities within this report receive an operating annual subsidy. Of those facilities, the amounts they receive vary. Further, the current provision of subsidies is essentially based historical practices without any analysis or confirmation of current requirements. As a result, there is little to no transparency related to the funding of subsidies.

Table 2: Existing Subsidies

Facility	Existing Subsidies
<b>Alderney Landing</b>	\$175,000
<b>Canada Games Centre</b>	\$300,000*
<b>Centennial Pool</b>	\$140,000
<b>Cole Harbour Place</b>	\$0
<b>Dartmouth Sportsplex</b>	\$0
<b>Halifax Forum</b>	\$103,000
<b>Sackville Sports Stadium</b>	\$0
<b>St. Margaret's Centre</b>	\$0
<b>TOTAL</b>	<b>\$718,000</b>

*Source: facility audited financial statements and HRM accounts receivable balances*

\*CGC has only been provided the operating subsidy of \$300 k in 2013/2014 as the financial success of the facility has not required the operating subsidy.

Financial reports from March 2015 highlight that four of the eight facilities accumulated an operating deficit during the 2014/2015 fiscal year, despite the fact that two of the facilities also received subsidies

Table 3: Existing Surpluses/Deficits

Facility	Current Annual Operating (surplus) deficit as of March 31, 2015
<b>Alderney Landing</b>	\$0

<b>Canada Games Centre*</b>	\$(195,226)
<b>Centennial Pool</b>	\$52,600
<b>Cole Harbour Place</b>	\$(159,698)
<b>Dartmouth Sportsplex</b>	\$259,765
<b>Halifax Forum</b>	\$19,279
<b>Sackville Sports Stadium**</b>	\$0
<b>St. Margaret's Centre</b>	\$109,932

Source: facility audited financial statements and HRM accounts receivable balances

\*Canada Games Centre Operating Subsidy \$300,000 is not included in surplus reported above

\*\*Sackville Sports Stadium is included in the Parks and Recreation budget

Therefore, it is important that a consistent and transparent approach to the provision of subsidies is used. Further, a level of analysis must be included to ensure that the provision of subsidies is evidence based. The proposed regional funding model will focus on ensuring that facilities have appropriate funds so they can provide safe and quality services to their community. The funding model is comprehensive to include all the community board run MDFs (excluding Sackville Sports Stadium as it is currently included within Parks & Recreation's budget), and applies funding criteria consistently across all facilities.

The primary goal for creation of a regional funding model is to provide the required level of financial support to the facilities through a consistent, transparent and evidence-based approach. Through that level of support, facilities will be able to operate in an efficient and effective manner that achieves the needs of the community. Therefore, the approach would provide an opportunity for facilities to present funding requests in the form of a subsidy, in their proposed budget for the upcoming year. Through that process, Regional Council would have the ability to assess the proposed budget to confirm the need for a subsidy and adjust any amount accordingly. This approach would also ensure that facilities are only provided with subsidies as required to ensure sustainable operations and ability to serve the community.

When considering a regional funding model it is important to highlight the not-for-profit nature of the facilities. Since non-profit entities are established for purposes other than generating a profit, rationale for this model follows that each facility should maintain a net zero annual operating budget each year. Facilities which accumulate an operating surplus throughout the year would not be provided additional funding provided through the proposed regional funding model.

The implementation of the regional funding model will need to be aligned with the execution of new management agreements with each community board. The new management agreements will employ risk mitigation strategies, including but not limited to a budget best practice strategy moving forward to ensure that deficits are not re-accumulated. In addition, with the agreements outlining a requirement for Boards to present budgets annually to Regional Council, the accountability and transparency will be in place for Regional Council to make informed decisions on appropriate funding levels. As a last resort, if an individual Board is unable to achieve net operational budgets after three consecutive budgets, the agreement with HRM would be terminated.

#### **b. Facility Capital Reserve Fund**

Reserve Funds are an important long term financial planning tool. A key reason for maintaining a reserve fund is to ensure there are sufficient funds to cover the costs of future projects. The intent of developing dedicated Capital Reserve Funds as a component of the funding model proposal is to help finance capital projects to maintain public assets in a safe and functional state. Under the current management agreements, facilities are responsible for covering operating expenses from operating funds; and HRM is responsible for the funding and procurement of capital upgrades through HRM's Capital Budget.

At the July 26, 2016 meeting, Regional Council approved changes to the structure of reserves which will result in an overall reduction in the number of reserves. As a result of those changes, there will one capital reserve, Multi-District Facility Reserve, into which it is recommended that any surpluses for the

major facilities will be deposited. Staff is currently preparing updated business cases for all of the future reserves. The proposed business case will be structured to support the inclusion of any surpluses from the major facilities and outlined in a way that the funding is allocated to the specific facilities.

There are currently three facilities within this report which have accumulated an operating surplus over the past years: Canada Games Centre, Cole Harbour Place and Halifax Forum. Dartmouth Sportsplex have a previously established capital expansion and life cycle restricted reserve. Staff would propose that those surplus funds be moved to a capital reserve fund and allocated to the specific facility for capital work.

**Table 4: Current Facility Restricted Reserves and Surpluses**

Facility	Restricted Reserves and Surpluses (as of March 31, 2015)
Alderney Landing	\$0
Cole Harbour Place	\$402,733
Canada Games Centre	\$963,501
Dartmouth Sportsplex	\$44,963
Halifax Forum	\$205,716
Centennial Pool	\$0
St. Margaret's Centre	\$0
Sackville Sports Stadium	\$0
<b>TOTAL</b>	<b>\$1,616,013</b>

*Source: facility audited financial statements and HRM accounts receivable balances*

Table 4 highlights the surplus for each board as of March 31, 2015. For upcoming years, if a facility has accumulated a surplus then it would be recommended for transfer to the capital reserve for future capital work within the facility.

The benefit of capital reserves for recapitalization of facilities is highlighted by the significant amount of funding that required for the facilities outlined in the MDF project. While HRM has implemented capital reserves for some facilities (Scotiabank Centre and BMO Centre), HRM has historically completed capital work on the MDF facilities only using capital budget funding. In the case of Scotiabank Centre and BMO Centre, capital improvements have been able to be completed using the respective reserve funding with little to no reliance on HRM's capital budget funding.

As Table 5 illustrates to fund Capital Reserve Funds for the recommended facilities for the next 5 years (2017-2021) the total cost would be \$18,000,000. This equates to \$3,600,000 per year. Due to the proposed recapitalization of Halifax Forum, there are no Capital costs predicted for that facility within this 5 year cycle. Due to the cycle of large cost projects, such as roofs, it is anticipated that annual costs for the facilities will drop after year 5, and then increase again in another 10-15 years.

**Table 5: Five year estimated Capital costs**

Facility	5 year estimated Capital costs
Canada Games Centre	\$1,300,000
Dartmouth Sportsplex	\$4,500,000*
Halifax Forum	\$0**
Cole Harbour Place	\$3,200,000
St. Margaret's Centre	\$2,900,000
Sackville Sports Stadium	\$4,800,000
Alderney Landing	\$500,000
Centennial Pool	\$800,000

<b>TOTAL of all facilities</b>	<b>\$18,000,000</b>
--------------------------------	---------------------

Source: Capital requests and facility building condition assessments

\*Council has approved a rehabilitation plan for the Dartmouth Sportsplex but there would still be some outstanding recapitalization not addressed in the project.

\*\*The scope of the proposed rehabilitation for the Halifax Forum includes all recapitalization.

All facilities within the report are listed for information purposes and show an indicative amount of funding that would be needed to undertake the necessary capital work to maintain the facilities in good condition. Funding for both the Sackville Sports Stadium and Cole Harbour Place has been allocated in recent capital budgets and work is underway. With Council's direction for the recapitalization of both Dartmouth Sportsplex and Halifax Forum, significant funding will be required for those projects but the recapitalization will return the facilities to a good state of repair for the foreseeable future.

Capital work on the facilities is currently funded from the Multi-District Facilities (MDF) - Upgrades Bundle account or from discrete accounts specific to the facility. By transferring surplus funds to a capital reserve, the funding can support better planning to encourage timely maintenance. Due to the age of many of the facilities, they require improvements to major building systems and up-keep of lifecycle projects to remain operational and provide services to the residents of HRM. While planning and overall budgeting for the work is completed as part of the capital budget process, the capital reserve can help to help mitigate the exorbitant cost of deferred revitalization projects which have occurred historically. It will also ensure that there is transparency and accountability with how the funds are spent.

## **2 Initiate the absorption of the outstanding operating and capital debts of the facilities (October 6, 2015 Regional Council motion, bullet b)**

In order to ensure outstanding debts do not re-occur, the process of initiating the absorption of facility debts and deficits will need to coincide with the signing of new management agreements between individual community boards and HRM. That alignment will ensure that updated practices and procedures are in place with all the boards, including budget presentation to Regional Council and expenditure management. The management agreements will also stipulate that the debt and deficit absorption will be a one-time event, with the goal of all the facilities remaining in a net zero or positive financial position. As noted above, the new funding model will help achieve this goal moving forward.

Tables 6a and 6b highlight the financial impact to HRM in absorbing the debt and deficits for these MDF facilities.

Table 6a: Impact of Debt Absorption

Facility	Debts and Other Payments Currently Due to HRM	Operating Accounts Receivable	Other Items Not Recorded on the Facility Financial Statements	Total Receivables and Debts Outstanding	Amounts Already Charged to the General Rate Surplus	Remaining Receivables and Debts
<b>Alderney Landing</b>		\$30,758	\$1,051,000	\$1,081,758	\$(1,051,000)	\$30,758
<b>Cole Harbour Place</b>	\$117,372	\$164,789		\$282,161		\$282,161
<b>Canada Games Centre</b>		\$394,137	\$1,700,000	\$2,094,137	\$(600,000)	\$1,494,137
<b>Dartmouth Sportsplex</b>		\$3,170,916		\$3,170,916	\$(3,170,916)	-

<b>Halifax Forum</b>			\$887,462	\$887,462		\$887,462
<b>Centennial Pool</b>				-		-
<b>St. Margaret's Centre</b>	\$210,000	\$758,282		\$968,282	\$(758,282)	\$210,000
<b>Total</b>	<b>\$327,372</b>	<b>\$4,518,882</b>	<b>\$3,638,462</b>	<b>\$8,484,716</b>	<b>\$(5,580,198)</b>	<b>\$2,904,518</b>

Source: facility financial statements and HRM accounts receivable balances

Table 6a highlights the total receivables and debts outstanding owed by the MDFs to HRM, for a total of \$8,484,216. As it has been recognized that some, not all, of MDFs have experienced difficulty in paying these amounts; the Municipality has recorded individual allowances against some of these receivables, for an amount of \$5,580,198. To create this allowance, HRM has charged the \$5,580,198 to HRM's operating expenses and decreased the municipality's current and prior year surpluses.

To absorb the remaining debt and receivables outlined in Table 6a, HRM would need to allocate a further \$2,904,518.

Table 6b: Impact of Debt Absorption

Facility	Accumulated Operating Deficit (Surplus) at March 31, 2016	Accumulated Capital and Equipment Reserves at March 31, 2016	Total Net Accumulated Deficit (Surplus)	Impact on Deficit (Surplus) Adjustment for Write off of Debt and Other Receivables	Remaining Deficit (Surplus)	Additional Costs to HRM to Write Off the Remaining Deficits
<b>Alderney Landing</b>	\$19,256		\$19,256	\$(30,758)	\$(11,502)	-
<b>Cole Harbour Place</b>	-	\$(358,587)	\$(358,587)	\$(282,161)	\$(640,748)	-
<b>Canada Games Centre</b>	\$(1,155,287)		\$(1,155,287)	\$(394,137)	\$(1,549,424)	-
<b>Dartmouth Sportsplex</b>	\$3,640,438	\$(36,096)	\$3,604,342	\$(3,170,916)	\$433,426	\$433,426
<b>Halifax Forum</b>	\$253,829	\$(302,607)	\$48,238	-	\$48,238	-
<b>Centennial Pool</b>	\$37,360		\$37,360	-	\$37,360	\$37,360
<b>St. Margaret's Centre</b>	\$759,750		\$759,750	\$(968,282)	\$(208,532)	-
<b>TOTAL:</b>	<b>\$3,555,346</b>	<b>\$(696,750)</b>	<b>\$2,858,596</b>	<b>\$(4,846,254)</b>	<b>\$(1,987,658)</b>	<b>\$470,786</b>

Source: Audited Financial Statements as at March 31, 2016

Table 6b is based on audited financial statements for March 31, 2016. It shows that the MDFs have net accumulated deficits of \$2,858,596.. Also, several of the facilities that have operating deficits, and have



significant capital or equipment reserves/surplus. For this analysis, the net accumulated deficit has been considered.

If Regional Council directs the absorption of the total receivables and debts outstanding of \$8,484,716, it would reduce the affected MDFs accumulated deficits by the amount of the adjustments. After the impact of the adjustments is factored in, two facilities (Dartmouth Sportsplex, and Centennial Pool) would still have a remaining deficit. To reduce these deficits to zero would require additional funding from the Municipality in the amount of \$470,786. Combined, absorption of the outstanding debts and deficits would result in an additional total cost to HRM of \$3,375,304. This is in addition to the allowances of receivables of \$5,580,198 which has already been offset previously by HRM surpluses, for a grand total of \$8,955,502. This will reduce all debts, deficits and receivables owed to HRM for the listed MDFs to \$0, thereby eliminating all of those costs from the facilities.

The absorption of both the deficits and debts is a complex process that would require presentation to Audit & Finance Standing Committee prior to consideration by Regional Council in order to outline the necessary steps and confirm funding sources. As noted, the timing of such consideration would also need to be aligned to the execution of new management agreements.

### **3 Align annual budgets and business plans with the overall HRM budget process including requirement to meet budget targets and approval by Regional Council (October 6, 2015 Regional Council motion, bullet c)**

To ensure Council's governance and stewardship of publicly owned assets in support of HRM's recreation outcomes, each Board will be required to deliver a proposed annual budget and business plan to HRM in advance of the fiscal year.

The annual Budget and Business Plan will be provided in the form prescribed by HRM and will include:

- how the operation of the facility supports HRM's recreation outcomes;
- specific plans to enhance HRM's recreation outcomes;
- proposed changes to facility programming with detailed rationale;
- proposed annual budget which may include a requested operating subsidy; and
- changes to budget to meet HRM budget targets.

The budget target for each facility within the new standard management agreements is to operate at a net zero financial position, while meeting Regional Council's recreation service delivery outcomes. Any deviation from net zero would require explanation within the budget and business plan. The explanation would detail the magnitude of deviation, explanation of contributing factors, and planned mitigation steps to be undertaken by the Board to return to net zero in the upcoming fiscal year. If an operating deficit is realized, it would be subject to Regional Council approval to cover any shortfall through an operating subsidy.

Subject to Regional Council direction, the management agreements would include a requirement for Boards to submit their proposed annual budget and business plan for presentation during Regional Council's consideration of the overall HRM Capital and Operating Budget. The proposed budget will outline any requested operating subsidy and changes to incorporate HRM's budget targets.

As noted, 70% of recreation expenditures are by facilities that are operated by community boards and, as such, fall outside the direct control of Regional Council. The eight facilities in the MDF project alone represent 51% of those expenditures. As a result, those expenditures have not historically been impacted or adjusted as part of HRM's budget deliberations. Instead, Regional Council has only been able to make expenditure adjustments to the 30% of recreation spending that falls under its direct control. Since a key focus of HRM's recreation mandate is to reduce barriers to recreation programming for citizens, a the new budget and business plan processes outlined in the new agreements will enable Regional Council to have direct control and oversight over the majority of expenditures within HRM's recreation portfolio in order to ensure those barriers are being adequately addressed.

**4 Provide for the provision of HRM delivered Information, Communications, and Technology (ICT) services (October 6, 2015 Regional Council motion, bullet d)**

Sackville Sports Stadium, Halifax Forum and Dartmouth Sportsplex currently receive some core ICT services from HRM. The remaining MDFs currently source and supply their own ICT support. All of the MDFs use different recreation services software, and in some cases don't have a technology solution. This results in a lack of consistency throughout the facilities, and also makes it difficult to collect data that can be used for informed decision making. The lack of consistency can also be troublesome for users as they do not receive similar services and experiences from all facilities. Having different systems and software throughout the MDFs also currently prohibits the implementation of a "one-client model" as the different systems do not permit communication between the facilities and to HRM in regards to members, pricing and programs.

In order to streamline services to the public, it is recommended to install and maintain the same ICT services across the MDFs. The ICT services that would be provided to each MDF are:

- Recreation Services Software (for bookings, registration, member database) and support;
- Core ICT Services and Support(email, computers, basic productivity tools);
- SAP and support;
- Telecom; and
- Digital Signage

There will need to be a staggered approach for implementation to allow time for set up and training at each facility. As well, a staggered timeline will incorporate the end of life of current solutions, the renovation schedule for Dartmouth Sportsplex, current contract schedules, and short term implementation of facilities with current high risk ICT services.

Table 7: Costs of ICT services for MDFs

Facility	Dartmouth Sportsplex	Cole Harbour Place	Sackville Sports Stadium	St. Margaret's Centre	Canada Games Centre	Forum	Centennial Pool	Alderney Landing	Total
One-Time Cost	\$371,404	\$358,629	\$5,002	\$356,677	\$383,495	\$155,003	\$167,826	\$168,088	\$1,996,124
On-going Cost	\$117,530	\$121,682	\$4,784	\$83,200	\$269,704	\$51,908	\$26,946	\$32,346	\$708,100

*Source: ICT consultant*

Table 7 breaks down the one-time costs and on-going costs by facility. These costs include implementation of all ICT services listed above for facilities currently not receiving any and expansion to the full suite of services for those facilities receiving some services. The total one-time cost to implement the full suite of ICT services to the MDFs is \$1,966,124. Annual ongoing costs for all the facilities total \$708,100.

Currently, Regional Council has approved funding in the amount of \$1,798,000 towards the implementation of the recreation software replacement. Included in the project is the implementation of ICT services within the MDF facilities. The timing of the implementation and, as a result, the required timeline the funding will be dependent on the schedule for the completion of the recreation software project and phased approach for its implementation in the MDF facilities.

Upon implementation of the full suite of ICT services to all facilities, HRM will incur annual ongoing costs in the amount of \$708,100. While this would be an additional cost to HRM, it is expected to be offset by some reduction in technology support expenditures for the facilities, which can be expected to have a



reciprocating reduction in required subsidy. This estimated amount would cover ongoing costs such as software subscriptions and technology replacements. The amount would be incremental as the system implementation is phased into the facilities and would be reviewed in the annual operating budget process. Finally, with the addition of six new facilities to HRM's ICT portfolio, it is estimated that additional staff resources would be required. Similar to the on-going operating costs, any additional staff resources would be reviewed and considered as part of the annual budgeting process.

In order to ensure effective implementation of the ICT systems, the implementation across facilities would be phased over a minimum 2 year timeline once the new Recreation Services Software is selected. This phased approach would allow sufficient time to complete installation and training of all facilities. HRM owned and operated facilities including the Sackville Sports Stadium, will be implemented first due to the pending end of life of their current solutions. Dartmouth Sportsplex would be scheduled to coincide with their re-opening after the revitalization project is complete, as well as coincide with the execution of the new management agreement. The remaining MDFs would be then be completed.

### **5 Restore appropriate and legally defined employer relationships for the operation of the facilities (October 6, 2015 Regional Council motion, bullet e)**

Regional Council's October 2015 direction included the following component: "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".

Some of the considerations which could potentially impact a determination of the employee/employer status are such factors as:

- The party bearing the burden of remuneration;
- The party imposing discipline;
- The party hiring the employee;
- The party with the authority to dismiss the employee;
- The party which is perceived to be the employer by the employees; and
- The existence of an intention to create an employer/employee relationship.

With the current governance structure, staff at most of the MDF facilities are employed by the boards. With the exception of the Halifax Forum, these board managed facilities uphold the characteristics of a clearly defined employee/employer relationship in that they are employed by and take their direction from the society board. Table 10 outlines the current state of employees at all of the facilities included in the MDF project.

Table 8: Regional Facilities Employee/Employer Status

Facility	Society	HRM	Union*
<b>Alderney Landing</b>	Yes		No
<b>Canada Games Centre</b>	Yes		No
<b>Centennial Pool</b>	Yes		No
<b>Cole Harbour Place</b>	Yes		Yes*
<b>Dartmouth Sportsplex</b>	Yes		No
<b>Halifax Forum</b>		Yes	Yes**
<b>Sackville Sports Stadium</b>		Yes	Yes***
<b>St. Margaret's Centre</b>	Yes		No

\*CHP includes NSUPE Local 22 employees

\*\*Halifax Forum includes CUPE Local 108 employees

\*\*\*Sackville Sports Stadium includes CUPE Local 108 employees

As the asset owner of the MDFs that operate under management agreements, HRM provides the boards with strategic direction regarding facility operations. However, when providing strategic direction, HRM

must be cognizant that it does not alter the real or perceived employer/employee relationship by providing specific operational direction. The new management agreements will further improve the clarity of the employee/employer status.

### HRM Employees

As part of Regional Council's direction, staff was asked to analyze whether the board operating model could be maintained, but with HRM employees providing the facility management and program implementation. This analysis is particularly important as there are currently two facilities operated by HRM employees: Halifax Forum and Sackville Sports Stadium. Currently, the two facilities have different reporting structures, with the Halifax Forum being operated by a community board and Sackville Sports Stadium directly operated by HRM. Despite the variance in governance, as employees of the municipality, all staff at both facilities are governed by the terms of the *HRM Charter*.

Sections 33-35 of the *HRM Charter* establish the reporting structure of the Municipality. Council communicates with employees of the Municipality solely through the CAO. The CAO has the authority to: appoint, suspend and remove all employees of the Municipality; adopt a system of classification of positions; and determine the salaries, wages and emoluments paid to municipal employees, including through a classification system. The directors of business units are accountable to the CAO.

As a result of the authorities and responsibilities outlined in the *HRM Charter*, a board operating model with HRM employees providing the facility management and program implementation is challenging. While not impossible to implement, the requirements that would need to be outlined in a management agreement to enable that type of arrangement would effectively limit the authority and role of the board in the operation of the facility. While the board would still be tasked with directing the programs and services offered by the facility to ensure they meet the needs of the community, the staff tasked with implementing those programs and services would be challenged to meet obligations to both the board and HRM as the employer. This relationship could result in confusion or conflict in the operation of the facility, impacting the service to the community.

Given the challenges associated with this model, staff would not recommend expanding its use to other facilities.

The impact of the *HRM Charter* on the operation of the Sackville Sports Stadium and Halifax Forum is outlined below.

### **Sackville Sports Stadium**

In the spring of 2002, Regional Council directed staff to carry out an operational review of the Sackville Sports Stadium which resulted in further direction to transfer the facility from the then community board. As a result of that direction, HRM assumed operating responsibility for the Sackville Sports Stadium in August 2003 and the staff fell under the exclusive direction of the CAO, consistent with the *HRM Charter*. With Regional Council's direction in the fall of 2011 to include the Sackville Sports Stadium in the MDF review, coupled with an organizational realignment, the Sackville Sports Stadium was transitioned into a HRM operated facility, similar to other recreation facilities which are operated by HRM staff. Through that process, all administrative, financial and staffing functions have been fully integrated within HRM and the Sackville Sports Stadium transitioned from a separate component in the consolidated financial statements to become part of the Parks & Recreation budget effective 2015/16. As part of that process, a thorough financial review has been completed which showed that past finances at the facility exceeded \$5M with revenue inflated to offset the expenditures. As a result of the review and integration of the facility, revenues and expenses have been adjusted to reflect actual and appropriate amounts. Expenses at the Sackville Sports Stadium are now accurately reflected in the range of \$3M, along with realignment to more community focussed recreation service delivery. Further, had the expense review not occurred, the facility may have been realizing a net deficit of close to \$2M.

As a result of these changes, the current existing governance model for the Sackville Sports Stadium has enabled HRM to improve safety, cut forecasted deficits through expenditure control, reduce user fees,

and expand programming. Therefore, it is recommended to retain Sackville Sports Stadium as a HRM direct operated facility integrated within the administrative municipal structure in order to continue to support the proven efficiencies and clear reporting structure.

### ***Halifax Forum***

Currently, the Halifax Forum is governed by The Halifax Forum Community Association. The board provides direction to the General Manager, who in turn directs staff's daily activities. As per the current structure, staff follows direction from the society board and not the CAO, which can be problematic. Issues may arise if the board gives direction contrary to either HRM policies or operational aspects. While the intent is for Halifax Forum staff to remain employees of HRM, the current governance model introduces ambiguity in the employer/employee relationship.

Therefore, while it is recommended to retain the board structure at the Halifax Forum, the management agreement will need to clearly define roles and authorities in order to ensure the appropriate and legally defined employer relationship exists. The agreement will need to include language to reduce the risk to HRM, the Board and the staff. This would include, but not be limited to, restricting the Board's ability to determine staff remuneration, require that all staff hiring, including the General Manager position, be conducted by HRM, utilizing HRM's human resource process. The General Manager would become part of Parks and Recreations (or future designate) organizational structure, reporting to the business unit director or designate. This is a key requirement to mitigate risk regarding the employer-employee relationship for all parties.

While the recommended approach for both the Halifax Forum and Sackville Sports Stadium does not fully implement Regional Council's direction for a standard governance model in the short term, it is seen as the best approach to transition the facilities. With the planned rehabilitation of the Halifax Forum, as well as implementation of other short term components of the MDF project, such as ICT changes and safety improvements, maintaining a consistent operation of the facilities will help with the implementation of the short term improvements and mitigate any challenges that could impact service to citizens. After the initial term of the new management agreement and short term implementations, the operating structures could be reviewed to move towards more standardization in the governance model.

### **6 Support completion of a HRM safety review of all facility maintenance, operation and processes and subsequent agreement of resolution of all findings (October 6, 2015 Regional Council motion, bullet f)**

Corporate Safety has partnered with Parks & Recreation as part of an ongoing safety initiative by Halifax Regional Municipality. All of HRM's facilities (regardless of governance model) are being inspected to ensure compliance with the Nova Scotia Occupational Health and Safety Act (the Act).

There are improvement opportunities in facilities of the size and complexity of the MDFs. The previous review of staffing at the eight facilities determined there were no dedicated occupational health and safety resources in any of the facilities. HRM, as the facility owner, has responsibilities under the Act, and it is important to ensure the facilities receive an appropriate level of support.

To ensure the facilities receive the necessary support in relation to the Act, HRM Corporate Safety has completed comprehensive inspections of all of the facilities in the MDF project. The review of the eight facilities revealed a list of approximately 380 items identified which need to be resolved to maintain compliance with the Act. The items ranged from general housekeeping practices and administrative processes for record keeping, to equipment that requires repair or replacement. Another common theme found across many facilities was the lack of an occupational health and safety program.

Staff met with the facilities to review the items and identified issues which the boards are required to complete, and those issues of a capital nature for which HRM is responsible. Of the approximately 380 items, 40% fall into the high risk category and are being prioritized to complete as soon as possible. High Risk category is defined as "a condition or practice likely to cause permanent disability, loss of body part,

and/or extensive loss of structure, equipment or material.” As of the writing of this report, 65% of the items (247) have been resolved.

Safety requirements and standardization will be maintained in the new standard management agreements through a requirement which will allow HRM Corporate Safety to inspect each of the facilities annually at their discretion. As the operators of the facilities, the community boards will be accountable to resolve operational issues that are identified, while HRM will be primarily responsible for capital issues which are identified. Moving forward, the standard management agreements will contain contractual language to clearly define the Boards responsibility’s to address any safety issues within their respective facility and implications for non-compliance with Occupational Health and Safety legislation.

**7 Outline clear community access requirements and initiate implementation of consistent pricing and membership model to enable a “one-client” model across all facilities (October 6, 2015 Regional Council motion, bullet g)**

On March 8, 2016, Halifax Regional Council approved a motion for a comprehensive recreation fee study to be undertaken. The comprehensive recreation fee study is intended to review and analyze all categories of fees, comparative best practice, identification of cost to provide services, and recommendations for a strategic approach for future fees.

Development of a consistent fee structure is a complex process and is further complicated by the numerous management structures that currently exist. As a result, creation of standard management agreements which clearly outline HRM’s expectations and Board’s responsibilities is an important change to enable improvements towards a consistent fee structure. A consistent fee structure will assist with equity in facility usage, provide rationale for a regional fee model, as well as inform the development of necessary subsidies for certain user groups.

In order to address Regional Council’s priority of healthy communities, there was a general consensus among MDF boards that there was a need for more clearly defined strategic objectives identified by HRM with opportunities to collaborate in order to achieve these goals. By integrating language into standard management agreements that reflect Council’s priorities including, but not limited to, improved consistency of MDF user fees and community access, HRM can more clearly defines its objectives. In addition while anticipating the results of the fee study there will be sufficient time to implement action plans in other areas which will help support the model of consistent pricing and community access.

The HRM Community Access Plan outlines strategic objectives that help to create an environment of fairness and equity for patrons, inclusivity for the entire community, environmental sustainability, a code of behaviour for visitors to the facilities, and total transparency to all stakeholders. As outlined in the Community Facility Master Plan, it is a priority to continue to move towards inclusive access so that persons of all ages, abilities, and gender will be able to participate in recreation programming in a positive manner while receiving a high level of customer service.

The standard management agreements will enable further implementation of the principles of the Community Access Plan along with improvements towards consistent fees and integrated technology across all MDFs. All of these improvements facilitate moving towards a “one-client” model across the recreation network.

**8 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 (October 6, 2015 Regional Council motion, bullet h)**

Under the model currently directed by Regional Council of community board operated facilities with Council direction, volunteer boards are tasked, on HRM's behalf, with undertaking strategic planning and decision making, ensuring community involvement, focussing on service delivery, providing financial stewardship, providing operational efficiency and effectiveness, and undertaking routine facility maintenance. The management agreement becomes the mechanism for HRM to ensure there are administrative processes for accountability and oversight, as well as consequences to non-compliance. The management agreement is also the mechanism by which Council has the opportunity to establish processes to ensure alignment of the independent boards' strategic planning with the strategic objectives and direction of Regional Council.

The current governance structure is considered a decentralized model in that volunteer boards are facility specific, with responsibility and focus solely on the individual facility. The model also assigns both facility operation and community input to the volunteer board.

Advisory boards are intended to provide expertise and enable the efficient management of an organization. The advisory board structure is implemented to help address the challenges of lack of oversight and accountability over the operation. The advisory board structure also provides an opportunity to provide insight and advice on the operation and services being provided.

The proposed principles outlined for the new standard agreements, such as quarterly reporting and annual reviews (Table 1, MDF Project Plan Report), will ensure HRM has sufficient oversight and board accountability. Further, with the continued responsibility for the boards to ensure community needs are being met, the current governance structure meets the intention of advisory boards. As such, it is not recommended that additional advisory boards be created as it would be a duplication of the current board's mandate and the intent of the new management agreements.

While additional advisory board structure could effectively undermine the role of the current boards, there could be future benefit to exploring the opportunity to enhance and support the "hub and spoke" model. The 2008 Community Facility Master Plan, approved by Regional Council, regarded MDFs as hubs of recreation activity, likening them to the hub of a wheel, and smaller less complex recreation facilities as the spokes. Within this model, larger facilities are meant to offer infrastructure and programming support to smaller centres to enhance service delivery and unique regional attributes. This model was seen as a mechanism to ensure that communities are provided with the efficient and comprehensive programs and services which make use of municipal infrastructure in the most cost effective manner. In this model, advisory boards can provide valuable insight into community needs to ensure programs and services are meeting those needs.

Currently, HRM has implemented a pilot project to test the "hub and spoke" model with the Sackville Sports Stadium. The Sackville Sports Stadium, as a multi-district "hub", is currently undertaking implementation of this model to align the recreation programming in the community with the intention of reducing duplication, redirecting resources and improving citizen's experience. Once the Sackville Sports Stadium hub and spoke pilot is complete, staff will be able to make recommendations on the best potential advisory board options. While there are several options that could be explored, including the participation of the Community Council or implementation of a community based committee, it will be important to complete the experience of the pilot hub and spoke model to better understand the potential benefits, challenges, municipal support and opportunities that would need to be considered, before undertaking such a structure. Implementation of an advisory board for a hub and spoke structure without that knowledge could result in a less than effective model.

**Alderney Landing (October 6, 2015 Regional Council motion, additional item)**

As part of the October 2015 motion, Regional Council also requested "...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.”

The governance model for Alderney Landing is currently community board operated with Council direction. HRM remains the asset owner responsible for the state of the facility’s infrastructure and Regional Council sets overall strategic direction. Strategic planning, daily management, and operation of the facility is currently, and recommended to remain, the responsibility of the volunteer board. The relationship is defined and administered based on the management agreement.

Alderney Landing holds a different operating objective than the other facilities in the MDF Report in that its primary focus is a Community Cultural Centre and not a Major Recreational Centre. Alderney Landing has various leases with different food vendors. The facility operates the Craig Art Gallery, hosts various concerts and cultural events, and has a Sunday Farmers Market. These activities are important and valued by the citizens, but they are unlike the programmed, registration and club based physical recreational activities the other MDFs provide.

As a result of the different operating objective, the board and staff of Alderney Landing have indicated that the facility should not be included in the MDF project as it does not have similar challenges, operations and programs to the other facilities. In 2011, when Regional Council initiated the MDF project, the facilities included were those that had significant outstanding debt, operating deficits or accountability concerns. Alderney Landing was included due to the outstanding debt which the facility had no capacity to repay.

Although different in their approach of providing services to the public, it is recommended that Alderney Landing continue to be included in the implementation of the MDF work. That will allow the board to continue to serve the community, while enabling HRM to mitigate risk to HRM through an updated management agreement that will align budgets and business plans to HRM’s processes and ensure safety issues are addressed. The establishment of new standard management agreements with volunteer boards which incorporates the high level principles, outlined in the MDF Agreement Principles (Table 1 MDF Project Plan Report), will ensure the strategic direction from Regional Council is included in the operation and management of the facility, while maintaining a degree of autonomy in strategic planning, management and operations with the current volunteer board governance model.

Currently, Alderney Landing receives an operating subsidy from HRM of \$175,000. This subsidy allows the facility to provide safe, quality services to the community. By remaining within the MDF project, Alderney Landing will benefit from the proposed Regional Funding Model which will support the facility in continued provision of services and programs for the public, as well as the proposed absorption of the outstanding debts which the facility does not have the capacity to repay.

With the type of programming being offered by Alderney Landing, there is less benefit from the implementation of the recreation programming software than other facilities that rely heavily on computer registration systems. However, it is expected that there would be other benefits from the implementation of HRM technology. Those benefits will not be fully understood until the full capability of future ICT Recreation Services Software is known, therefore, it would also be premature to exclude Alderney Landing from the potential implementation of HRM ICT services.

Finally, the other component of the MDF project for which there are benefits to both HRM and Alderney Landing is the implementation of improved safety procedures. Since Alderney Landing is an HRM asset, an Occupational Health and Safety Site Assessment has been completed. There was an inspection completed in February 2016, and several Occupational Health & Safety Improvement Opportunities were outlined that need to be addressed in order to achieve Occupational Health & Safety compliance. HRM is working with Alderney Landing to ensure that all Safety Improvement Opportunities are dealt with in a timely manner.

For these reasons, it is important that Alderney Landing remain in the MDF project to achieve the benefits and improvements outlined through the work of the project for HRM, Alderney Landing and the clients that use the facility. Therefore, it is recommended that Alderney Landing be kept within the MDF project

and the recommendation for execution of new standard management agreements includes the facility.

### **Summary**

Based on the analysis completed for each of the specific components outlined in Regional Council's October 2015 direction, there are several important requirements that will need to be outlined in new standard management agreements. Those components have been summarized in the Key Terms and Conditions (Table 1 MDF Project Plan Report). The proposed new management agreements, based on those key terms and conditions, would enable the required changes to achieve the necessary oversight, accountability and improved service delivery as outlined in Council's direction.

The new management agreements are expected to provide improved clarity on roles and responsibilities along with expectations. These improvements, along with the implementation of the other components included in Council's direction, such as integrated technology, debt absorption and improved safety, are critical to ensuring that these facilities, which encompass over 50% of HRM's recreation expenditures, are able to provide the best recreation service delivery to citizens for years to come.

Attachment 2

# Interim Agreement

Between:

**Halifax Regional Municipality**

And

**Canada Games Centre Society (Halifax)**



Halifax Regional Municipality  
Regional Recreation & Culture  
PO Box 1749  
Halifax, Nova Scotia B3J 3A5

tel: 902.490.6252  
fax: 902.490.5950  
[www.halifax.ca](http://www.halifax.ca)



This **Interim Agreement** made this \_\_\_\_ day of \_\_\_\_\_, 2017

BETWEEN:

**Halifax Regional Municipality**  
(hereinafter called “HRM”)  
OF THE ONE PART

- and -

**Canada Games Centre Society (Halifax)**  
(hereinafter called the “CGC Society”)  
OF THE OTHER PART

**WHEREAS** HRM wishes to encourage and facilitate a community based delivery of service to the public while maximizing efficiencies and opportunities for economies of scale;

**AND WHEREAS** HRM wishes to provide opportunities for different service delivery methods to be utilized and for comparisons of them to be made within the organization;

**AND WHEREAS HRM** is the owner of the Canada Games Centre located at 26 Thomas Raddall Drive, Halifax, Nova Scotia (the “CGC”);

**AND WHEREAS** the CGC Society is a community based non-profit organization incorporated under the *Societies Act* of Nova Scotia, whose members and directors receive no financial benefit from their participation;

**AND WHEREAS** the CGC Society wishes to oversee the management, administration and operation of the CGC, providing a recreation and wellness experience consistent with the needs of the community; providing an environment where all levels of sport and recreation users can interact; and creating an inclusive gathering space for community;

**AND WHEREAS** HRM and the CGC Society entered into an interim agreement in respect of the operation of the CGC that expired on January 15, 2016;

**IN CONSIDERATION of the mutual conditions and covenants contained herein and the provision of other valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:**

## 1.0 Definitions

When used in this Agreement, the following terms shall have the following meanings:

- a) “**CGC Society**” means Canada Games Centre Society (Halifax), a society incorporated under the *Societies Act* of Nova Scotia. The CGC Society is and shall remain during the Term of this Agreement and during any period of renewal thereof, organized and operated solely for a purpose other than profit, with no compensation to be paid to the directors and officers.
- b) “**CGC**” means the Canada Games Centre/Centre des Jeux du Canada (Halifax), hereinafter the “Canada Games Centre”, and adjacent parking areas, located at 26 Raddall Drive, Halifax, Nova Scotia.
- c) “**Commencement Date**” means the date this Interim Agreement is executed by the Mayor and Municipal Clerk.
- d) “**Council**” means Halifax Regional Council
- e) “**Fiscal Year**” means the annual period ending on March 31<sup>st</sup> or such other period as the Municipality may establish upon notice to the CGC Society.
- f) “**Interest Rate**” means that rate of interest that is earned by the Municipality on its investments from time to time.
- g) “**Municipality**” means Halifax Regional Municipality or HRM, its employees, agents and members of Council.

## 2.0 Purpose

HRM and the CGC Society have entered into this Interim Agreement to provide for the interim operation of the CGC, pending the determination of the appropriate model of service delivery for the CGC and the entering of a formal agreement between the parties defining their relationship in respect of the operation of the CGC. In furtherance of same, HRM hereby appoints the CGC Society as HRM’s agent, on an interim basis, to manage, promote, develop, operate and administer the CGC, on the terms and conditions set out in this Interim Agreement. The CGC Society hereby accepts such appointment. Pending and subject to the ratification of this Interim Agreement by Halifax Regional Municipality, this Interim Agreement will take effect immediately and continue to bind the parties until a formal agreement is entered into by HRM and the CGC Society, or until its earlier termination pursuant to the terms of this Interim Agreement.

### **3.0 Authority**

For the purpose of operating the CGC in accordance with HRM's objectives and service delivery standards determined by HRM Regional Council focus areas (Attachment A), the CGC Society is hereby authorized to manage and operate the CGC as agent for HRM solely for the purpose of carrying out the authority and responsibilities set forth in this Interim Agreement, subject to any limitations set forth in this Interim Agreement or in any notice in writing at any time delivered to the CGC Society.

In acting as the agent of HRM, the CGC Society shall abide such instructions as HRM may provide to the CGC Society from time to time. HRM shall execute and provide to the CGC Society any document or other evidence which may be reasonably required by the CGC Society to demonstrate to third parties the authority of the CGC Society as set out in this Interim Agreement.

The CGC Society will operate the CGC in compliance with all applicable laws and policies to ensure the safety of all persons present in the CGC and to preserve the CGC ensuring its value does not diminish and take all reasonable steps to safeguard the CGC and any assets associated with the CGC.

#### **3.01 Limitation of Authority**

Unless expressly authorized by prior written direction or approval of HRM, the CGC Society shall not have the authority to do any of the following:

- a) Obtain loans for the CGC or HRM, whether secured or unsecured, or give grant options, rights of first refusal, deeds of trust, mortgages, pledges, security interests, or otherwise encumber the CGC or any portion thereof or any interest of the HRM therein, or obtain replacements of any mortgage or mortgages;
- b) Prepay in whole or in part, refinance, increase, modify, consolidate or extend any obligation affecting the CGC or any portion thereof, except to the extent contemplated and approved in writing by HRM;
- c) Cause HRM to extend credit or to make any loans or become a surety, guarantor, endorser or accommodation endorser for any person, firm or corporation;
- d) Cause HRM to enter into any contracts with respect to the CGC other than contracts in the ordinary course of managing the CGC;
- e) Sell, exchange or convey the CGC or any portion thereof;
- f) Release, compromise, assign or transfer any claim right or benefit of the HRM, except with the written authorization of HRM;
- g) Allow a default judgement to be entered against the CGC or any assets associated with the CGC;
- h) Modify, change or amend, in any material way, any drawings, maps, plans or specifications prepared for or in connection with the CGC;
- i) Grant easements or other property rights in the CGC; or
- j) Purchase or sell any real property, including the CGC or any part thereof, on behalf of HRM.

### **3.02 Leases**

Leases or short term rentals of space, and sponsorship agreements will only be with groups and organizations that do not conflict with HRM's corporate policies. The CGC Society will not enter into any lease or contract affecting the CGC with a term of in excess of 90 days on behalf of HRM, unless HRM has provided prior written approval of such agreement.

### **3.03 Purchasing Policy**

The CGC Society when making purchases shall access HRM's standing price agreements with good and service suppliers and ensure compliance with HRM's Administrative Order #35 Procurement Policy, as amended from time to time. With respect to the purchase of goods, supplies and services, the CGC Society shall comply with HRM's Tangible Capital Asset Policy, as amended from time to time.

The CGC Society shall follow the Province of Nova Scotia Sustainable Procurement Policy, as amended from time to time.

### **4.0 Interim Agreement Non-Compliance**

Non-compliance with this Interim Agreement by the CGC Society could result, at HRM's sole discretion, in any or all of the following:

- a) Removal of the CGC Society as manager of the CGC and agent of HRM;
- b) Direct HRM management of the CGC;
- c) Reduction or elimination of funding and subsidies to the CGC Society;
- d) Other restrictions deemed appropriate to the non-compliance.

### **5.0 Mandate / Expectations**

During the term of this agreement, the CGC Society shall carry on no business other than that of the agent of HRM responsible for the management and operation of the CGC. The CGC was constructed with funding provided from different levels of government. These funds were provided with the expectation that the CGC would be utilized for the delivery of a mixture of services and programs. In providing its agency services, the CGC Society will comply with the Facilities operations, service and program objectives contained in this Interim Agreement in particular, the CGC Society shall honour and act in compliance with the expectations of the various levels of government that provided funding for the CGC.

### **6.0 Roles and Responsibilities**

#### **6.01 Halifax Regional Municipality Liaison**

HRM shall designate an employee of HRM to be the HRM's representative and liaison with the CGC Society. The representative shall be the Manager of Regional Recreation & Culture or its successor or designate.

The HRM Manager of Regional Recreation & Culture will act as the liaison with the CGC Society and will be accountable to ensure that the CGC Society and HRM are operating the CGC in accordance with this Interim Agreement. The liaison representative is an ex officio member of the CGC Society Board of Directors, and entitled to attend all meetings of the CGC Society, its Board and committees. Upon request from the CGC Society, HRM may, in its discretion, provide advisory or other assistance (such as but not limited to HRM's Human Resources, Legal Services or Procurement departments) to the CGC Society.

## **6.02 Halifax Regional Municipality Responsibilities**

To ensure the CGC Society is able to fulfill its mandate, HRM's representative shall:

- a) Report to Halifax Regional Council the business plans and annual reports submitted by the CGC Society, within time frames consistent with HRM's various business unit submissions;
- b) Review quarterly results and provide financial feedback to the CGC Society and follow-up concerning significant financial variances;
- c) Review and respond to issues which require the approval of HRM Regional Council;
- d) Consult with the CGC Society before policies specifically impacting the operation of the CGC are established or implemented;
- e) Provide marketing and sponsorship research conducted by HRM relative to naming rights and sponsorship opportunities;
- f) Advise CGC Society of the intent to enter into a long term formal agreement concerning the operation of the CGC, in writing and within 90 days of the expected agreement approval;
- g) Advise the CGC Society of a request to renew the Interim Agreement pending a formal agreement, in writing no later than 90 days prior to the end date of the Interim Agreement;
- h) Meet with the General Manager of the CGC at least once every three (3) months, either in person, via conference call or other means of electronic communication. The purpose of said meetings is to be share information and discuss challenges association with the management of the CGC;
- i) Respond to requests from the CGC Society in a timely manner to allow for effective operation and management of the CGC by the CGC Society Board and staff. Requests should be responded to within two weeks and a plan of action developed.

## **6.03 Capital & Commissioning and Deficiency Reports**

To facilitate final completion of the CGC building, HRM shall, subject to HRM's annual budget process and budgetary approval from Regional Council:

- a) Provide funding to the CGC Society to complete the CGC and its surrounding grounds to include all landscaping, exterior sign and air cooling systems for field house and track;
- b) Provide the CGC Society with all documentation relating to the CGC building, including: as-built drawings, warranty information, supplier source documents, completed commissioning report signed off by HRM and AMEC with all deficiencies completed; and
- c) Ensure all building, material and system deficiencies are in good working order.

## **6.04 Canada Games Centre Society**

To ensure HRM is able to fulfill its mandate, the Chair of the CGC Society Board of Directors shall:

- a) Submit an Annual Report to HRM, in accordance with this Interim Agreement, and in addition for any other reporting periods determined by HRM from time to time and as specified in this Interim Agreement, ensuring that all reports are complete and submitted to HRM in a timely manner;
- b) Identify and request resources required to fulfill its responsibilities;
- c) Ensure oversight of management of the CGC;
- d) Develop a strategy and delivery plan to achieve fundraising goals; fundraising can include sponsorship, naming rights, application of year end surplus, and any other funds not specifically identified;
- e) Notify HRM immediately if aspects of operations are expected to result in adverse financial performance;
- f) Keep HRM apprised of any issues or events which cause concern that staff and HRM Regional Council should reasonably expect to be notified including lawsuits, legal letters, injuries, system failures, etc.;
- g) Submit a business plan, as approved by the Board of the CGC Society, to HRM as part of the annual report submission. The business plan shall include the following components:
  - i) Vision and Mission Statements, ii) Strategic Priorities, iii) Goals, iv) Financial Information; v) Performance Measures, vi) Risk Analysis;
- h) Appoint a General Manager to operate the day to day activities of the CGC and ensure the annual review and satisfactory performance of the General Manager;
- i) Ensure employment policies are developed and implemented in accordance with all applicable Federal, Provincial, and Municipal legislation.

## **6.05 Canada Games Centre Board and Committee Meetings**

That the CGC Society agrees that one HRM member of Council shall be a full voting Board Member and one HRM staff member be *Ex Officio* non-voting member.

## **7.0 Finances**

### **7.01 Revenues**

The CGC Society acknowledges that all revenues generated with respect to any activities associated with operation or management of the CGC are the property of HRM and that any revenues received or held by the CGC Society shall be deemed to be held in trust for HRM. Such monies shall be deposited to the operating account and used to pay operating expenses.

The revenues of the CGC includes all monies, proceeds, funds and revenues of every nature and kind received by the CGC Society in respect to the CGC whether by way of fees paid for services provided in or from the CGC or for the use of the CGC, or any part thereof, or by way of grants, gifts, sponsorships, bequests, donations, fund-raising or otherwise, saving and excepting, but only after there is no operating or long term deficit associated with the CGC, any monies or proceeds derived by the CGC Society under any valid license of the CGC Society to operate any form of lottery scheme such as bingo or any monies or proceeds derived by the CGC Society through third party fee-for-service agreements.

### **7.02 Collection of Fees**

The CGC Society shall collect the fees and charges (including all applicable taxes) for the use of the CGC and the services offered therein. All such fees and charges collected by the CGC Society shall be deposited in a bank account. HST and any other taxes collected in respect of the CGC's operations will be accounted for separate and apart from other fees and charges collected, and maintained in separate bank accounts, and any amounts payable will be forwarded on a monthly basis to HRM for remittance.

### **7.03 Operating Surplus, Deficit, and Subsidy**

If, in any fiscal year, a surplus is realized in excess of the amount budgeted and approved by HRM Regional Council in accordance with this Interim Agreement, that surplus can be used to underwrite continued operations or contributed towards a capital reserve as directed by HRM, upon consultation with the CGC Society. Any surplus used against future operations may impact the operating subsidy required.

If, in any fiscal year, a deficit is realized from the operating or capital budget, the Board shall prepare and submit a written report (the deficit report) at the time it submits its operating and capital budget to Council for the ensuing fiscal year outlining the magnitude of the deficit, the reasons, and the recommendation to dealing with it in the coming year. There is an expectation that as the CGC establishes itself in the market place it will achieve close to full cost recovery. However, the parties recognize that the nature of the programming activities are such that it is unlikely that the CGC will be capable of operating at 100% cost recovery solely on user fees. An amount of up to \$300,000 will be made accessible to the CGC Society in each current fiscal year if it is determined, in HRM's sole discretion, that the CGC is experiencing audited financial shortfalls. Should significant financial pressures occur in any given year HRM shall consider additional financial and administrative support, subject to Regional Council approval.

The funding for the CGC in HRM's next fiscal year will integrate into HRM's general practices regarding its Multi-District Facilities. To facilitate this integration, the CGC Society is expected to provide any required financial reporting documentation, and other information, in a timely manner, as determined and required by HRM from time to time, in assessing the CGC's service delivery requirements for consideration during HRM's upcoming fiscal year budgeting process.

## **8.0 Reporting**

### **8.01 Annual Reports**

The CGC Society shall provide an Annual Report to the HRM Liaison, Manager Regional Recreation & Culture, no later than 90 days after year end including the following components:

- 1) Financial Reporting
  - a) Audited Financial
    - i) Independent Auditor's report
    - ii) Balance Sheet
    - iii) Balance Statement of Operations
    - iv) Statement of Cash Flows
    - v) Statement of Changes in Net Assets
    - vi) Notes
  - b) Financial Reporting Templates as per the Financial Reporting Guidelines provided by HRM Finance.

HRM retains the right to access or audit the operations of the CGC and the books and records relating to such operations at any time and from time to time.

- 2) Management Reporting
  - a) Annual Operating Budget by month for the upcoming fiscal year
  - b) Quarter end financial results
    - i) Balance Sheet
    - ii) Statement of Operations
    - iii) Updated Annual Forecast
    - iv) Cash Flow Projection
  - c) Annual Capital Budget for the upcoming fiscal year
  - d) Annual Business Plan for the upcoming fiscal year
  - e) Discussion and analysis of fiscal year results highlighting significant variances from budget and latest quarterly forecast and if applicable, the deficit report
  - f) Annual report on all recreational program and sporting events held. Report will provide detailed membership numbers, participants per sporting event, recreational activities, rentals, etc.
  - g) Other reports as HRM may reasonably require.

### **8.02 Quarterly Reports**

The CGC Society shall provide a Quarterly Report to the HRM Liaison, Manager Regional Recreation & Culture, no later than 45 days after each quarter end including the following components:

- 1) Financial Reporting
  - a) Financial Reporting Templates as per the Financial Reporting Guidelines provided by HRM Finance



- 2) Management Reporting
  - a) Discussion and analysis of quarter results highlighting significant variances from budget and latest quarterly forecast.
  - b) Discussion and analysis of updated annual forecast and significant variances against budget.
  - c) Discussion and analysis on all recreational program and sporting events held. Report will provide detailed membership numbers, participants per sporting event, recreational activities, rentals.

### **8.03 Monthly Report**

The CGC Society shall deliver to HRM, on a monthly basis, such information and supporting documentation as may be required for HRM to enable it to compute the amount of HST or other taxes collected by the CGC Society on HRM's behalf during the preceding month.

### **8.04 Fundraising Report**

The CGC Society has been advised by HRM that as part of the Building Canada Fund Agreement dated September 4, 2008 between HRM and the Federal Government, a requirement for community fundraising in the amount of \$2 million was included in the agreement. HRM has requested CGC Society assist in meeting HRM's obligations for community fundraising. The CGC has agreed to assist HRM by developing a strategic plan outlining the means to achieve this fundraising requirement. The CGC Society will use its best efforts to develop this strategic plan prior to the expiry of the Interim Agreement, for inclusion in the future formal agreement between the parties. As noted previously in section 6.04 (d) this is not limited to fundraising. HRM will provide assistance to the CGC Society in the review and implementation of the strategic plan, the extent of which will be determined upon review of the plan. Details of assistance from HRM will be captured in the formal agreement between the parties.

## **9.0 Insurance**

HRM shall provide Property and Commercial General Liability insurance coverage for the term of this Interim Agreement that includes the CGC Society as an additional insured. The property insurance provided by HRM will only cover contents used by the CGC Society in the usual operation of a recreational facility such as the CGC. The CGC Society will be responsible to obtain and maintain, to HRM's satisfaction, such insurances as HRM may responsibly require, including, but not limited to Director's Insurance for the Board of Directors and Officers.

## **10.0 Licenses and Permits**

The CGC Society shall obtain and renew as necessary all licenses, permits and approvals which may be required in connection with the operation and maintenance of the CGC. The CGC Society shall at all times comply with the conditions of such licenses, permits and approvals and shall comply with and observe all laws, by-laws and regulations applicable to the CGC and the operation thereof.

## **11.0 Staffing**

All personnel employed by the CGC Society in the management, administration and operations of the CGC, including, without limitation to the foregoing, the General Manager, are selected for employment by and will be employees of the CGC Society, and shall under no circumstances or at any time be deemed or implied to be employees of HRM. The CGC Society shall be solely responsible for the hire, dismissal, control, direction, supervision, instruction, and training of its employees. The wages, salaries and benefits of such employees are the responsibility of the CGC Society and shall be paid directly by the CGC Society. The entirety of the foregoing shall be a term of employment for anyone employed by the CGC Society.

### **11.3 HRM Human Resource Support**

HRM Human Resources staff will assist the CGC General Manager with short-term Human Resource requirements, specifically:

- a) CGC staff compensation review;
- b) Staff orientation package development; and
- c) Policy and procedures development.

### **11.4 HRM Finance Support**

HRM Finance will provide payroll services on a fee for service basis until an alternative service provider is selected. Payment shall be made in accordance with the due date on the invoices received from HRM.

## **12.0 Property of HRM**

All equipment, supplies, facilities and materials located in or purchased for the CGC at any time and all records, reports, books of account and other documents and materials relating to the management, operation and maintenance of the CGC shall be and remain the property of HRM and will be made available to HRM for inspection at during regular business hours or otherwise, upon reasonable request.

The CGC is located adjacent to a ball field which is also on HRM lands. The ball field does not have standalone washroom facilities, but was instead intended to have access constructed as part of the CGC. Accordingly, the CGC Society shall permit ball field users and spectators access to the washroom facilities located in that part of the CGC which opens towards the ball field. CGC Society will not be responsible for damages to the CGC caused by ball field users and spectators. If the CGC Society and HRM are unable to come to a mutual resolution of issues relating to the origin of damages, final determination shall be at the sole discretion of HRM as the owner of both facilities.

### **13.0 Amendment**

This Interim Agreement shall only be amended by written agreement signed by both parties.

### **14.0 Notice**

All notices, demands, requests, approvals or other communication of any kind which the parties may be required or may desire to serve on each other in connection with this Interim Agreement shall be delivered by Registered Mail to:

#### Halifax Regional Municipality

Attention: Denise Schofield, Manager of Regional Recreation & Culture  
P.O. Box 1749  
Halifax, NS B3J 3A5

Or in person to:

Denise Schofield, Manager of Regional Recreation & Culture  
40 Alderney Drive, 2<sup>nd</sup> floor  
Dartmouth, NS

#### Canada Games Centre Society (Halifax)

Attention: Dr. Brian Lane, Chair, Canada Games Society (Halifax)  
Canada Games Centre  
26 Thomas Raddall Drive  
Halifax, Nova Scotia, B3S 0E2

### **15.0 Duration and Renewal of Term**

This Interim Agreement shall be in effect for a period of one year from the Commencement Date. It can be renewed for additional periods of one (1) year each by the parties agreeing in writing to exercise the renewal option prior to the end of the then current term.

### **16.0 Termination**

This Interim Agreement may be terminated by either party upon six (6) months' written notice to the other party.

Termination of this Interim Agreement does not release either of the Parties from any obligations which accrued while the Interim Agreement was in force.

IN WITNESS WHEREOF the parties hereto have properly executed this Interim Agreement, to come into force and effect on the Commencement Date.

**Canada Games Centre Society (Halifax)**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
(I have authority to bind Canada Games Centre Society)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
(I have authority to bind Canada Games Centre Society)

\_\_\_\_\_  
Date Signed

**Halifax Regional Municipality**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Mike Savage, Mayor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Kevin Arjoon, Municipal Clerk

\_\_\_\_\_  
Date Signed

## **Attachment “A”**

### **Corporate Plan**

The Halifax Regional Municipality’s Corporate Plan – with its priorities, outcomes, and objectives – is the strategic map for the municipality, with a focus on improving the quality of life for people in the Halifax Regional Municipality, now and into the future. It reflects Regional Council’s direction and focus areas and describes how HRM intends to achieve planned outcomes on behalf of the community. It also describes the Executive Management Teams priorities critical to optimizing the effective and efficient delivery of programs, services and policies to the citizens of HRM.

The plan outlines how HRM will take our long term HRM Vision 2020, and address its objectives over the mandate of Council. The key objective of the Plan is that Councillors and staff will work together to achieve priorities identified by the community in the following six areas:

Safe, Inclusive & Welcoming Communities  
Diverse Lifestyle Opportunities  
Well Planned & Engaged Communities  
Clean & Healthy Environment  
Integrated & Affordable Transportation Networks  
Economic Prosperity

The Corporate Plan enables the whole organization to work towards common outcomes. This means that the municipal budget, human resources and business planning are all linked to the strategic direction contained in the Corporate Plan.

The Corporate Plan is also a way for Council to communicate their areas of focus to its stakeholders; particularly HRM citizens, and provides a framework for reporting back on progress achieved through the various programs and services provided by the Municipality.

For more details; visit: [www.halifax.ca/budget/CorporatePlan/](http://www.halifax.ca/budget/CorporatePlan/)

Additional resources can also be accessed through the side links on this page.

CGC Society \_\_\_\_\_ HRM

Initials \_\_\_\_\_