

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

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LEGISLATIVE CHAMBER

**Department of Municipal Affairs
November 2015 Report of the Auditor General
Chapter 5, Monitoring and Funding Municipalities**

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Public Accounts Committee

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Mr. Michael Pickup
Auditor General

Ms. Evangeline Colman-Sadd
Assistant Auditor General

WITNESSES

Department of Municipal Affairs

Mr. Dan McDougall, Deputy Minister

Mr. Mark Peck, Executive Director, Policy, Planning and Advisory Services



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MAY 4, 2016

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Order. I call this meeting of the Public Accounts Committee to order. Today we have with us the Department of Municipal Affairs, Mr. McDougall and Mr. Peck, and I'll have you introduce yourselves in a moment.

I'd like everyone to adjust their microphones and try to keep them in the same area because some of the speaking is not getting picked up on the microphones because they are too high.

We will begin with introductions.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: You may begin with your opening comments.

MR. DAN MCDOUGALL: Mr. Chairman, thank you for the opportunity to appear before the Public Accounts Committee to provide an update on the work undertaken by the department to address the Auditor General's recommendations around monitoring and funding of municipalities. As you can appreciate, this is an important and complex area, so I'm pleased that Mark was able to join me this morning. Mark is the Executive Director for Policy Planning, and by that I mean land use planning and advisory services.

As we all know, Mr. Chairman, part of the mandate of Municipal Affairs is to promote responsible local government to support healthy, vibrant, and safe communities. Our partners are the province's 51 municipalities and the organizations that represent them, like the Union of Nova Scotia Municipalities, the Association of Municipal Administrators, the Tax Collectors Association, and others.

It is important to remember, Mr. Chairman, that municipalities are an order of government, with democratically elected councils accountable to the electorate in the communities that they represent. Working together with our municipal partners, we implement sound legislation and programs that support good governance, accountability, and effective planning.

We are pleased that the Auditor General took the time to review the monitoring and funding of municipalities, and we'd like to thank the Auditor General and his team for the insight around this important function.

In his report, Mr. Chairman, the Auditor General highlighted a number of areas where our department is doing well. For example, the minister appropriately approves municipal borrowing requests; dissolution of towns were carried out in accordance with the legislative requirements; and the department has worked diligently to address outstanding financial reviews and indicator reports.

The Auditor General also gave us eight recommendations around monitoring and evaluating municipal financial risks. We accepted all eight recommendations, and I am pleased to report that the department has completed five of the eight recommendations, and that the remaining three are well underway.

To summarize, Mr. Chairman, the department is following up with municipalities that exceed their threshold for uncollected taxes. As you know, every year the department develops a municipal financial condition index. This index examines how each municipality gets revenue and budgets for municipal priorities. The most recent financial condition index was published on April 12th of this year. We now have four years available to municipalities and to citizens in the province. We are ensuring that the most recent financial condition index is used in making decisions around municipal borrowing approvals.

We are also developing processes to monitor negative financial indicators, and follow up with the municipalities to determine underlying causes.

In addition, our municipal finance staff is working with municipal officials to better manage the long-term financial health of municipalities.

Mr. Chairman, we are working to develop a risk-based tool which will better enable us to identify and work with municipalities having financial difficulty. As part of the borrowing approval process, we will vary the useful life of every municipal capital project.

In addition, we have updated our program funding guidelines to address project funding for work not completed within the funding year.

Finally, we are taking great care to document our meetings and better demonstrate how advice and discussions support the funding decisions.

I am proud of the work the department has undertaken around support for Nova Scotia municipalities. I am optimistic about the future of our province's regions, towns, and rural municipalities.

I would now be pleased to take any questions you have.

MR. CHAIRMAN: Thank you, Mr. McDougall. We will begin with Mr. Houston for 20 minutes.

MR. TIM HOUSTON: Thank you, Mr. Chairman, and thank you, Mr. McDougall, for those opening comments.

You referred to 51 municipalities across the province, and I am wondering how many towns there would be in the province - towns and villages in the province - how many?

MR. MCDUGALL: How many towns - I believe there are 26 towns and around 21 villages; we can confirm that number, currently.

MR. HOUSTON: Okay, thank you. In the Auditor General's Report, which was from November 2015, they do make reference at the time that six of the 27 remaining towns are currently in the process of dissolution or amalgamation. At that time there were six of 27 - I think maybe there are 26 or 27 right now. I wonder, does the department have a view on - if the department was to look out 10 years, do they have a view on how many towns and villages they would like to see from the department's perspective? So, if there are 26 or 27 today, how many would there be in the department's ideal world 10 years from now - is that something the department looks at?

MR. MCDUGALL: Thank you for the question. There are 27 towns and 21 villages. At the time the Auditor General conducted the work, there were six, I think, active structural change initiatives. Three of those have been implemented on the recommendation of the Utility and Review Board. The Town of Bridgetown, the Town of Hantsport, and the Town of Springhill, joined their neighbouring rural municipality. At this time, there are four applications before the Utility and Review Board - the Town of Mulgrave, the Town of Parrsboro, and four units in Pictou County are working together on an amalgamation. There is no number the department has. What the department has indicated to municipalities is that we are willing to work with any councils that are willing to work together on co-operative solutions that will result in positive structural change. So there is not a number identified by the department.

MR. HOUSTON: Okay. That is helpful, thank you. I want to talk a bit about the transfer payments and grants. I know in 2014 fiscal year there was about \$130 million in transfers and grants. Looking at this year's budget, it looks like for this year's budget, for 2016-17, there are \$170 million of grants, programs, and operations allocated. I wonder if you can just talk a little bit about what that \$170 million is - the number seems to be going up quite substantially from last year, when it was at \$152 million, and two years ago, where it was \$130 million. It's budgeted for \$170 million this year, and the line is Grants, Programs, and Operations. I wonder if you can pull out of that \$170 million the transfer payments that would be in that number and compare how the transfer payments have progressed. Maybe you can give us a couple of years of history of where transfer payments were and where they are now.

MR. MCDUGALL: Sure, thank you for the question. I'll start with some detail and then perhaps Mr. Peck can add some additional detail. There are a number of areas where grants and programs or transfers are provided to municipalities. I believe the largest is what's known as the gas tax transfer. That's a federal government unconditional capital program that is transferred through the province to municipalities. Municipalities then can use that for capital projects in their communities. That's around \$55 million for 2016-17; that's a federal unconditional capital transfer.

An additional capital program is what's known as the Building Canada program. For this year, I believe we have \$25 million in our budget: \$20 million of that would be provincial money, and \$5 million is federal money transferred through the province to the municipalities for the Small Communities Fund. So it's around \$25 million for what's known as Building Canada projects; those are application-based projects. We have an equalization or operating grant program that's approximately \$32 million. There's a grant in lieu of taxes program for municipalities, so for eligible provincial properties located in our municipal units, the municipal tax rate is applied against the assessed value. That's approximately \$20 million for grants in lieu.

There's a Nova Scotia Power grant in lieu of property taxes for those municipalities that are host to Nova Scotia Power facilities - not the linear assets, not the distribution lines, but rather the generation stations as an example. The hydroelectric facilities would attract a grant. I believe that's around \$11 million to \$12 million. We have a farm land acreage grant. Municipalities that have farm land that are eligible for a grant receive - I forget the exact figure - I think it's around \$3 an acre. The province pays that grant to the municipality.

We have a few other smaller programs that I can track down the detail on in my binder and get to you. For example, we implement a number of transit and community transportation programs. We have approximately \$3 million in transit capital assistance. That's provided to the municipalities that offer transit, and by transit we mean fixed route services, so that would be a scheduled service. It's around \$3 million for capital. There's also assistance to our community transportation organizations. Most of those provide door-to-door service rather than fixed route.

MR. HOUSTON: In the interest of time, would you be willing to table that, with the comparators?

MR. MCDOUGALL: Of course.

MR. HOUSTON: If I could, the federal gas tax, \$55 million for this budget year, what would that have been last year?

MR. MCDOUGALL: I believe last year it was \$52 million.

MR. HOUSTON: And the year before that, do you recall?

MR. MCDOUGALL: It was \$52 million.

MR. HOUSTON: Okay, so there was a little jump up this year. What about the equalization number, which was \$32 million this year. What would that have been last year?

MR. MCDOUGALL: It would have been \$32 million last year.

MR. HOUSTON: And the year before?

MR. MCDOUGALL: It was \$32 million.

MR. HOUSTON: I think we will maybe come back to that. There is a lot of concern that the equalization payments will be decreasing. I've heard a number of municipalities express the concern of what's going to happen with the equalization payments. You always hear the concern that there is a lot of downloading to the municipalities.

Is there any kind of schedule somewhere that the department has been sharing with municipalities that illustrates to them that equalization payments will go down over the next few years? Is that a discussion you've been part of?

MR. MCDOUGALL: The equalization program has remained unchanged for about 10 years at \$32 million. There is no schedule that has been circulated. What we do provide to municipalities is the amount of funding that they would receive in the current fiscal year. That has been provided to municipalities, and for this fiscal year the grant was frozen. So what a municipal unit received last year, they'll receive an identical amount this year.

MR. HOUSTON: So there are no municipalities that are getting less this year than they did last year.

MR. MCDOUGALL: Correct.

MR. HOUSTON: But there are some that are getting more than they did last year.

MR. MCDOUGALL: No, the amount was frozen. The global amount was frozen at \$32 million, and the amount that each municipal unit received was also frozen. So the identical amount that they received last year, they'll receive this year.

MR. HOUSTON: So that grant is frozen, but there are some - let's talk about the Pictou County amalgamation, where there will be a plebiscite in a few weeks. I do hear from both sides of that discussion that the department has indicated that if this doesn't happen, the transfer payments from the province will decrease. That doesn't seem to jive with what you've just indicated there - I guess you're talking about this year is frozen, but has the department given an indication in that specific case that funding will go down in the future, if not for this?

MR. MCDOUGALL: The commitment that has been made by the government in the letter of intent for the municipal units in Pictou County is that for a five-year period, the equalization grant will remain the same as the current fiscal year, unless the formula produces an amount that would be greater than the current year - so a minimum of what they're currently receiving.

One of the elements of the equalization grant program that has been under discussion - for example, there was a fiscal review done with the Union of Nova Scotia Municipalities in the province. It identified that the equalization grant program has some positive attributes, but it also has some attributes that aren't positive, so there is an agreement to look at the equalization grant program.

One of the attributes that is of concern is that during structural change, a larger municipal unit might receive less equalization funding than if they were two separate units. That seems a disincentive to structural change. Therefore, the commitment of government to hold it at the five-year period will allow for an orderly transition, so that the new council would have stability in that revenue from the provincial government.

MR. HOUSTON: Is there an agreement as to when that formula would be looked at? Is that something that the department has committed to look at within some period of time?

MR. MCDOUGALL: Yes, we are currently working with the Union of Nova Scotia Municipalities on a number of recommendations that were derived from the fiscal review and the town's task force, and that includes the partnership agreements. No deadline has been established on the outcome or conclusion of that work.

MR. HOUSTON: Do you have a sense as to whether the \$32 million is going to be - just as it has been stable for 10 years, would likely stay stable going for the next 10 years?

MR. MCDOUGALL: I can't speculate on what the outcome of that agreement would be.

MR. HOUSTON: But I understood the agreement is to look at the formula that distributes the \$32 million - not to look at the \$32 million, let's say, but is the \$32 million under review too, or just how it's split?

MR. MCDOUGALL: I think probably the agreement, the formula will be looked at to see if there can be improvements made, and perhaps there will be discussions on the amount, but no decisions have been made on either the formula or the amount. We'll continue to work with the UNSM on what that might look like.

MR. HOUSTON: So is the \$32 million a result of a formula?

MR. MCDOUGALL: The \$32 million is a result of the budget.

MR. HOUSTON: So we're talking about a formula being looked at - I just want to be clear that the \$32 million is a budget decision, the formula is how the \$32 million gets split up amongst the various municipalities and towns, right?

So there's an agreement to look at how it is split up, but the \$32 million is always going to fluctuate at the whims of the budget, is it not?

MR. MCDOUGALL: Every year there will be a budget decision on what's available for funding. I can't speculate on what that might look like for next year; I can confirm that this year is \$32 million.

Working with the UNSM, if a new formula is created and it produces a lower number than \$32 million and we have consensus to move forward with that, then there might be a lower amount in the operating grant. If there's consensus that perhaps it's a higher amount, then government might move forward with that. So it's really open - both the formula and the amount - open for discussion.

MR. HOUSTON: So in those situations where there are communities looking at structural change, like amalgamation, oftentimes there's some kind of agreement between the department and the proponents and it leads to a bit more cash. We always hear these things that if you do this then there will be provincial cash available - would that cash be coming out of that \$32 million pot? In other words, when people in the province read about this community is looking at it and the province is chipping in this, does that mean that every other municipality is at risk of kind of getting a little less? I'm just wondering - is it all out of that same \$32 million pot?

MR. MCDOUGALL: For all of the letters of intent that have been approved by the provincial government, the government has committed five-year stability for equalization. That equalization funding, and only that equalization funding, comes out of the equalization global pot. Additional assistance for infrastructure or transition is not coming out of the equalization funding. So the \$32 million remains the same, and for those units that have an agreement they are frozen in that grant program for a five-year period.

MR. HOUSTON: Okay, so any funding around the letter of intent, is that just a negotiated thing? It's whatever the proponents of structural change can negotiate with the department, that's what they can negotiate - or is it a formula as well?

MR. MCDOUGALL: It's both. What we like to say is that work we do with municipalities is partly science and partly art. The science side, the best example would be the equalization grant, where the same commitment has been made in all cases, that is to hold it at the current amount for five years unless the formula produces a higher amount. That's common.

The art side would be that every community is unique and different. So we would sit with the participating municipalities, we would look at the evidence presented to the Utility and Review Board. For infrastructure, for example, we would look at the capital assessment done on the community and the engineering reports and, with the municipal units, identify, of the core infrastructure, that if improved, would result in a more orderly transition, or is essential to an orderly transition. For example, in some communities it might be a water treatment project; in other communities it may be that they already have a water treatment facility that meets the current standard and it might be a waste water project. So there are some common elements and then there are some unique elements, based on the circumstances in each community.

MR. HOUSTON: As we sit here today, if I ask if it is a goal of the department to reduce the municipal units in the province, you would say what?

MR. MCDOUGALL: I would say that the government is supportive of structural change that results in better governance, efficiencies, increased capacity.

MR. HOUSTON: But there's no stated goal that in five years let's try and get it down to this number?

MR. MCDOUGALL: Correct.

MR. HOUSTON: When Minister Furey came to Pictou County and withdrew the funding for the amalgamation study, were you with him in that meeting?

MR. MCDOUGALL: I was not.

MR. HOUSTON: Okay. Does the department have a role at all? There's a plebiscite in Pictou County on May 28th and the people may support change or they may vote yes or they may vote no to the proposal. Does the department have any role to play in either of those outcomes? What if the vote is no? Is there something the department does then or does this not involve the department?

MR. MCDOUGALL: I'll start with the answer and perhaps Mr. Peck will add in. The decision to hold a plebiscite was made by the councils, in that case the four municipal

units in Pictou County. The URB is aware of that decision of the councils and that advice that the municipalities receive from their residents . . .

MR. CHAIRMAN: Order. I do apologize for interjecting but we've run out of time. We'll move to Ms. Zann.

MS. LENORE ZANN: Thank you, and sorry for that rude interruption. It's good to see you here, thank you very much for coming in. Within the past five years, 77 recommendations have been made from two policy reviews relating to financial viability of municipalities. The Department of Municipal Affairs and the Union of Nova Scotia Municipalities are pursuing a collaborative partnership to consider the remaining recommendations. The completion of that agreement was anticipated March 31, 2016. My first question is, which of the recommendations from the 2012 Towns Task Force report and 2014 Municipal Fiscal Review have been implemented?

MR. MCDUGALL: I can certainly table a summary of which of the 77 recommendations have been implemented to date because I know that some have been implemented. The department is currently working with the Union of Nova Scotia Municipalities on a partnership agreement that would see some additional recommendations agreed upon for acting, so I think it's best that I can table something on the ones that have been implemented.

MS. ZANN: Can you give me an idea how many have been implemented?

MR. MCDUGALL: I can't guess how many.

MS. ZANN: More than half, or less?

MR. MCDUGALL: I would say less than half.

MS. ZANN: Okay. So are the remainder included in the agreement that is being pursued between the DMA and the UNSM?

MR. MCDUGALL: What we're attempting to achieve with the partnership agreement is to review all the recommendations that came not only out of the Towns Task Force, the fiscal review, but also the annual UNSM resolution process and other studies that have been done by municipal governments, trying to triage them in a way that there's consensus between the department - government - and municipalities, or what are the A-list priorities. Not all of their recommendations are likely to be included in a partnership agreement. The goal and the objective, of course, is to include those recommendations that speak most to advancing good governance with municipalities. Hopefully we'll have that agreement completed in the near future and we'll be able to then speak with certainty about which recommendations are included.

MS. ZANN: So you would be able to provide me a status update on that work - the agreement that was anticipated March 31, 2016? Will you be able to provide me the status update on all of those?

MR. MCDOUGALL: Those negotiations with the UNSM are still between two orders of government - I wouldn't be able to provide you a detailed status update, just to say that I could give you milestones on how often we'd be meeting, et cetera, if that's helpful.

MS. ZANN: So the agreement has not yet been reached. It was anticipated for March 31, 2016.

MR. MCDOUGALL: Correct. It hasn't been concluded.

MS. ZANN: Is there any idea when it will be concluded?

MR. MCDOUGALL: We haven't established a deadline, but we're hopeful that will be concluded in the near future.

MS. ZANN: So, soon, very soon. Thank you.

The Now or Never report included a goal related to municipal government and it was Goal 18 - Reform of Municipal Government and Regional Service Structures, which indicates, "Prime objectives for restructuring should include: Greater service efficiency and improved 'value for money' for taxpayers, A critical evaluation of the fairness, effectiveness and sustainability of the current distribution of service responsibilities between the provincial and municipal levels, Greater engagement of communities with regard to economic development planning, Improved incentives for entrepreneurship, The integration and streamlining of services to business, Reductions in regulatory burden, and the better alignment of tax policies with economic growth objectives."

How do you see the implementation of the AG's recommendations and the agreement being negotiated with UNSM fitting in with these goals?

MR. MCDOUGALL: Wow.

MS. ZANN: Did I go too fast? We could do parts of it at a time, if you like.

MR. MCDOUGALL: If you could point me to where you'd like to start.

MS. ZANN: Greater service efficiency and improved value for money for taxpayers, and a critical evaluation of the fairness, effectiveness and sustainability of the current distribution of service responsibilities between the province and municipal levels.

MR. MCDOUGALL: In terms of the first one, related to efficiency, our activity related to supporting structural change probably speaks to that one most closely. I had the pleasure of attending a workshop that the Union of Nova Scotia Municipalities and the AMA held in Truro on April 8th. In that workshop there was consensus around both the quantitative and qualitative benefits of structural change.

There was an agreement that there is opportunity to achieve greater capacity when municipal units work together or come together, and by that we mean administrative capacity, as an example. It could be that a larger unit is able to employ professional accountants, professional land use planners, professional engineers, when working together rather where we find ourselves today - some small units aren't able to have that administrative capacity.

There is a greater tax base capacity, that's an opportunity when municipal units come together if councils choose to use the greater tax base of a region to achieve service delivery imperatives or capital imperatives. We know that regional structures or larger municipal units support regional decision making related to land-use planning, related to infrastructure decisions, related to service delivery.

We also know that when municipal units come together, it creates one voice in terms of speaking to business. We know there is an opportunity for efficiencies, for example, evidence was presented to the Utility and Review Board with respect to the Pictou County proposed amalgamation that there could be a reduction of 16 positions; those efficiencies might be used for reinvestment or for tax reductions. I think on the efficiency side is that structural change. With respect to the service delivery, there are currently no discussions related to who does what. There is essentially no service exchange discussions under way today.

MS. ZANN: Okay, thank you. The last, well, the next couple of ones were the greater engagement of communities with regard to economic development planning and improved incentives for entrepreneurship.

MR. MCDOUGALL: Okay, so, I think I will turn this one over to Mark here, quickly. Mark has been providing leadership for us on the Regional Enterprise Network Initiative. That is now a program with the Department of Municipal Affairs; so, perhaps, I will have Mr. Peck speak to some of the work we are doing with those networks.

MR. CHAIRMAN: Mr. Peck.

MR. MARK PECK: Thank you. In 2015, the department became responsible for the program which is the Regional Enterprise Networks. It is a program that funds six Regional Enterprise Networks throughout the province. The intent is to have business sector-run boards, in partnership with municipalities, move the business and economic development agenda in partnership with municipalities.

To date, our team have been working - we are in various stages throughout the province. We have five of the six Regional Enterprise Networks that are in various operational stages. The Western Region is perhaps one of the most advanced. It has a board of directors that is fully staffed, a strategic plan, and they are moving forward in terms of working with the business sector and the municipal partners. In addition, we have the Valley REN, which is an operational board. It has staff and it too is working with its municipal partners. The municipalities cost share in the operating program of each of the RENs.

Then, we have the South Shore REN which is in its infancy of operation. There has been a board appointed, and they have recently hired a chief executive officer. In the Eastern Strait there is a REN formed. They too have a board of directors which are private sector-run boards, no different than the others; and they have recently hired a chief executive officer. In Cape Breton, you have the Cape Breton REN, which is comprised of two partnerships, one being the Cape Breton Partnership and Business Cape Breton. There too they form the Regional Enterprise Network, which will represent four municipalities of the five in Cape Breton. So, that is some of the work that we are doing to advance economic development, in partnership with our municipalities throughout the province.

MS. ZANN: I do not think I heard one in the Truro hub area. Do they have one up yet?

MR. PECK: Not yet.

MS. ZANN: No. How soon do you think before they will have one or are they still talking about doing their own thing?

MR. PECK: I am not certain as to when it will be formed. I know that it is certainly part of our program to work with the municipal partners to advance the Regional Enterprise Networks. In terms of how long it will take, we are not quite certain.

MS. ZANN: Does the funding for it disappear if it is not set up by a certain time?

MR. PECK: No, not that I am aware of.

MS. ZANN: So, there is no timeline on that, on the funding?

MR. PECK: No.

MS. ZANN: Okay, and do you find that the various municipalities are becoming more open to the RENs than they were in the beginning when they lost CORDA and other regional business hubs?

MR. PECK: The answer to that is yes. Again, I'll come back to the Western REN. There's certainly an acceptance in terms of the work that they're doing, again in partnership

with the municipalities. It's really the voice of business-to-business, private sector-run boards dealing with communities. One of the programs that they're responsible for implementing is the Business Retention and Expansion program, which is where the REN was responsible for going out and interviewing each of the businesses throughout their communities in the various municipalities and then providing that feedback to the REN board in terms of what some of the issues are that businesses are facing, some of the challenges, and what some of the opportunities are as well, to take that back to the private sector board whereby they can advance economic development.

MS. ZANN: So reductions in regulatory burden is another one of the points that was made in the Ivany report, and the integration and streamlining of services to businesses. Do you feel that the RENs are helping with that?

MR. PECK: I think at this point it's certainly on their agenda. I will say that I think it's maybe a little too early at this particular point, given where they are in their agenda, but it's certainly on their agenda.

MS. ZANN: There was just one last one from that, Goal 8, the reform of municipal government and regional service structures. It said that one of the other prime objectives is the better alignment of tax policies with economic growth objectives. How do you see the implementation of the AG's recommendations and this agreement being negotiated with the UNSM fitting with this goal?

MR. MCDUGALL: I am not sure we've linked the eight AG recommendations that we have before us with that specific provision in the One Nova Scotia report. We know the Financial Condition Index, as an example, provides the municipal governments with a sense of its revenue and expenditure, a kind of profile. That would support decision-making at the council level related to property tax structure, as an example. I know probably most if not all municipal councils would debate and make decisions around what their commercial tax rates are relative to their residential tax rates. So I think the AG's recommendation to have more timely financial information certainly supports positioning municipalities for evidence-based decision-making related to some of the economic imperatives that they would have in their communities.

MS. ZANN: Has implementing the DMA action plan on the AG recommendations resulted in increased capacity within the DMA?

MR. MCDUGALL: I'm not sure I understand the question. I'm not sure what you mean by increased capacity.

MS. ZANN: I was just wondering if it has resulted in any increased capacity in the DMA or in the municipalities, or was lack of capacity even an issue?

MR. MCDUGALL: I think I can say that lack of capacity wasn't an issue. We haven't increased our staff complement to address, but we certainly always look at how we

can do things more efficiently. For example, we're currently working on a tangible capital asset project with respect to municipal reporting. Municipalities are required to submit a number of significant documents to the department: financial information return, financial statements, capital improvement plans.

The project they're working on is an IT solution that should make it far easier for municipalities to submit their information - so more efficient reporting. If the information comes to the department in a common form, apples to apples between municipal units, so that we don't have to do extra analysis, we'll generate more capacity in the department to tackle some of the other priorities. I hope that answers your question.

MS. ZANN: Yes, thank you, and I think my time is up.

MR. CHAIRMAN: You have just about one minute remaining.

MS. ZANN: I think I'll wait because I have another question that will take a longer answer.

MR. CHAIRMAN: We'll move to the Liberal caucus and Mr. Gordon Wilson.

MR. GORDON WILSON: Thank you, Mr. Chairman, and welcome. I don't know if I should open up with a disclaimer because I do have a history with these two, but it will not taint my comments. No, actually, they are very competent folks in my past.

Just to follow on the previous questioning, I'm curious as regards the financial information reports and some of the delays that were seen in the past in getting reports out from the department, certainly you note that it's still in progress. I'm curious, how long has this reporting structure been in place, the requirement for municipalities to provide all this information to give updated indicators?

MR. MCDUGALL: Well I know the Leafs last won the Cup in 1967; I would guess that it existed then. The department in my memory, at least 20 years, 30 years, has created an annual report of municipal statistics, a very detailed report on assessment, tax base, expenditures by functional area - water, waste water, solid waste, police, fire, and by revenue type. So decades, we've had reporting requirements.

We're always looking for ways to improve how that information is collected efficiently and how we might use that information. So use of the information for decision-making purposes, the best example probably would be our Financial Condition Index. For a very long time we've required municipalities to report on their financial.

MR. GORDON WILSON: Thanks - and my sympathies with the Leafs. So as this is going along there have been, I would say, some fairly significant changes in the last six, seven years maybe, in that reporting structure to allow us to go live with our indicators - could you explain what potentially some of those changes were?

MR. PECK: I'll give the deputy a bit of a break.

Prior to the release or the introduction of the Financial Condition Index, which is based on 15 primary indicators, based on revenue, budget accuracy, and debt, there were approximately 40 municipal indicators that had been available to both municipalities and the public prior to that.

The formation of a Municipal Indicators Committee, which looked at the existing 40 and felt it was time to really dust off the indicators that were presently being presented to both the public and the municipalities, and look at a more efficient way and a way that we could both portray it to not only councils but to the public in a structure that was understandable and would create a conversation, so to speak.

Really, what has changed is we've moved from 40 to 15 core municipal indicators; that has really been the primary change. I think it's fair to say that we'll continue to improve on that. I know the Municipal Indicators meet on the topic and are currently reviewing how to improve and, perhaps, even to add more indexes to the Financial Condition Index.

MR. GORDON WILSON: There is a requirement that all of these reports go in at a specific time. Is there a penalty if this doesn't happen?

MR. PECK: The date that municipalities are required to file their audited financial statements and this information that feeds into the Financial Condition Index is September 30th. The penalty - I'm not certain I'd call it a penalty, but there is the provision that we can withhold grants from municipalities that do not submit their information in a timely fashion.

MR. GORDON WILSON: There has been a marked improvement in the timelines around getting your product out the door. Was that a result of the municipalities' reporting being more timely? Can you explain to me why that happened? I believe we've gone from 337 days down to 47. How did that happen?

MR. PECK: I believe it's a culmination of many factors. One certainly is the importance of the partnership that the Department of Municipal Affairs has with our municipal partners, and in particular the work that we do with the directors of finance and the chief administrative officers.

In terms of recognizing the importance of responding in a timely manner, in terms of working with the staff, in terms of reporting, I think it's fair to say that the municipalities that do report are more aware of what the requirements are and how they feed in; the importance of providing statements that are balanced.

And two, the staff at Municipal Affairs that are doing these reviews have become more proficient at analyzing the data as it comes in. They've built relationships with the

municipal staff that they can troubleshoot or problem-solve with all the various questions. They're more efficient in terms of their work, as are the municipalities.

MR. GORDON WILSON: I should know this, but the percentage of taxes that are uncollected, is that a total tax amount or is that the number of property owners?

MR. PECK: That's a percentage of the total tax revenue.

MR. GORDON WILSON: I am curious - I know I would not be representing my area if I didn't ask some questions, and this is around the governance structures of towns and municipalities. I don't think I'm talking out of turn when I say that there have been some very positive discussions in my area. What support does your department give in regard to government structure between municipalities and towns in that path that they need to find?

MR. PECK: The supports from the department are - I want to describe them as "numerous." I think what we realize - structural change in municipal government is a tough decision. There is a lot of work that's required in assisting a council in terms of making their decision for structural change. So we do work in terms of analyzing the data, encouraging public engagement, doing the financial analysis that's required in order for council to make an informed decision, and assisting council in terms of next steps in the process.

There are other avenues that we often consider as well. One that was referenced already is shared services. That's an option. In terms of structural change, as I noted, we assist the municipalities in engagement, in doing the financial analysis, in terms of preparing the application, in terms of the appointment of a transition team or transition committee, in terms of the advisor's support, and in terms of working their representative on the transition committee.

I think the work we do in terms of the lead-up to the decision is quite comprehensive and the work we do during the process, the Nova Scotia Utility and Review Board, is somewhat extensive. As well, post-transition is when the department is certainly able to lend a hand in terms of assisting the merged units moving forward.

MR. GORDON WILSON: So we've gone through this, we're starting to get our feet fairly wet in this process, I think. Just overall, has there been an ability to see how well the ratepayers have taken these governance structure changes? Is there follow-up in these units that have gone through them? Are there lessons to be learned there?

MR. PECK: In fact, we did a formal evaluation in the Town of Canso, post-structural change. That report was authored by Mr. Gordon MacInnis. That report issued a number of recommendations that we've implemented, and what we intend to do is an evaluation on the three that were just completed one year out.

I think what's important is not to do the evaluation immediately, once the board has rendered its decision, but in order to gauge what the transition has resulted in. We intend to do that with Springhill, Hantsport, and Bridgetown.

MR. GORDON WILSON: So is that post-structural change for Canso available?

MR. PECK: It is.

MR. GORDON WILSON: It is, thank you. I didn't want to take up all my colleague's time - how much?

MR. CHAIRMAN: You have nine minutes remaining.

MR. GORDON WILSON: Just one last question from me. With the MGA review under way currently, do you foresee any ability for municipalities to levy more than one tax rate?

MR. MCDOUGALL: We have commenced a comprehensive review of the Municipal Government Act, I believe it's on our web page. In terms of opportunity to comment, it's a big document, I know you received it in your research package. The structure for the review kind of breaks down the areas that will be looked at into different areas. For example, there's a committee looking at land use planning-related matters. They will bring forward some recommendations for consideration. There's a committee looking at governance and governance structure that will bring forward recommendations. There are a lot of housekeeping items, perhaps commas that might have been in the wrong spot or improved language that we can make.

To your question, there's a committee looking at tax structure so there have been a number of recommendations from municipalities, I think economic organizations, to provide more flexibility for a municipality in establishing tax rates. So that will definitely be an area of focus of the Municipal Government Act review, is to look at new tools for local government in establishing the structure for their corporation and their communities.

MR. GORDON WILSON: Thank you.

MR. CHAIRMAN: Next we'll move to Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you for being here this morning. When reading over the recommendations from the Auditor General, I was sort of surprised to see there was no documentation at meetings, and Recommendation 5.3 was advising you to change that and to start documenting.

I understand that this is completed, but I'm just wondering, what has changed now in the department to acknowledge meetings and what took place?

MR. PECK: We really appreciate the recommendation of the AG's department to note the importance of both record keeping and the documentation. We've met with our management team in terms of a go-forward and recognizing the importance of documenting in terms of any advice that we provide the action items that are required so that we can follow up.

I was an adviser for 11 years and the detail, the amount of work that we do with our municipal partners is very comprehensive. It's important to note the action items that are required in terms of moving forward. I'll be honest with you: having been a municipal adviser, I'm guilty of knowing that I could improve on my record-keeping, absolutely. We're working with a team, and we're moving forward with the steps to improve on our documentation of meetings.

MS. LOHNES-CROFT: So are minutes taken at formal meetings? Sometimes it would be one-on-one, I'm sure. As you travel around the province, you wouldn't necessarily take a team; it would be individuals. How do we ensure that the information shared at meetings is documented for follow-up?

MR. PECK: When we meet with councils in an open forum, there are minutes, and there are certainly action items. When we meet with individual councillors or CAOs or directors of finance, even members of the public, there are certainly action items that we have to record, and follow-up times. We do that. We have a process in place.

A perfect example is our management meetings, where minutes are taken and the action items are noted. In the follow-up meetings, that's the first item that we discuss: what are the action items, who was responsible, and what was the outcome.

MS. LOHNES-CROFT: So it's very easy to get comfortable, after you're doing something okay, and fall back into the same old habits. Do you have someone responsible for making sure that this doesn't fall back into old habits? Going forward, how do you make sure this is consistently done? I know how much record-keeping I do. I know how many notations I make when I'm at meetings. To go forward in changing things, it's essential to keep records.

MR. MCDUGALL: Maybe I'll take that one, because I certainly value accountability. We take all the recommendations of the Auditor General very seriously. It's a standing item on our executive management committee meeting agenda where progress updates and action plans are tabled and discussed.

The executive directors in the department will be accountable for delivering on the Auditor General's recommendations. It wouldn't be just Mr. Peck who would have some accountability related to ensuring that the advisory team is documenting the things that need to be documented, but our other teams as well would be held to account in our performance management process that we use in the department.

MS. LOHNES-CROFT: Thank you very much.

MR. CHAIRMAN: Mr. Farrell.

MR. TERRY FARRELL: We have two minutes? I'll start this off and maybe get to finish it on the next round. I wanted to ask a little bit about the recommendations surrounding borrowing – Recommendations 5.5 and 5.6. One thing that I'm not 100 per cent clear on from the recommendations that seems to maybe be absent is the role of the Municipal Finance Corporation in working either with the department or with the individual municipalities on the very particular issues that are set out there.

Whether you're talking about the financial information that's used with municipal borrowing approvals or whether you're talking about the municipality's ability to finance a project within the useful life of the asset, how does the MFC fit into that? What's their job, and what actually is the job of the department? How do you ensure together that that job gets done properly?

MR. MCDOUGALL: I'll try to get this completed in the short time . . .

MR. FARRELL: I'll come back to it in the next round if you can't.

MR. MCDOUGALL: The municipalities' short-term borrowing requirements, during the construction phase of a project, are typically done from internal resources. It could be reserve funds, cash flow, or through borrowing in a local bank. They require a temporary borrowing resolution to borrow moneys in the short term. The department has the kind of exclusive role at that point, in terms of temporary borrowing resolutions and approvals.

The Municipal Finance Corporation's role is to provide long-term, low-cost financing for all municipalities. Municipalities - I think 90-plus per cent of their long-term borrowing would be through the Municipal Finance Corporation. Before the Finance Corporation commits to borrow for a municipal unit it has to see that the temporary borrowing resolution is in place and approved by the Minister of Municipal Affairs. So the vast majority of the work is done by the department, but the team at the Municipal Finance Corporation would also review the documents before it agrees to finance long term, to make sure all the approvals are in place.

MR. CHAIRMAN: Order. We'll move to Mr. Houston for 14 minutes.

MR. HOUSTON: I want to wrap up on where we were when we stopped before. Basically what I was trying to ask is, does the department have any skin in the game in the May 28th vote in Pictou County? Does it matter to the department if it's a "Yes" vote or a "No" vote, or does it not matter to the department?

MR. MCDUGALL: The department is clearly supportive of municipal structural change, but we recognize that was a decision of the local councils and that it's advice to the local councils, so we'll be watching it as keenly as the community will be in terms of the outcome and then what the councils do with that advice it receives, but the department is clearly supportive of structural change.

MR. HOUSTON: To the extent that if the vote was a no, does the department have a Plan B to kind of work with the units to see if there is another way that it could happen - maybe more shared service or something? Has the department thought in advance as to the possible outcomes - does it have a move either way?

MR. MCDUGALL: Our role has been supportive of the local leadership, so we'll await the outcome of the council decisions and then look at the support that we could provide. So if the councils receive that advice from the community and continue to proceed with structural change, we'll continue on that path. If they receive advice and decide not to proceed - it could be one unit, two units, three units - we'll wait to see what the councils decide and then provide the support.

We're always supportive of regional solutions. There are over 200 examples, I think, of municipalities sharing services - whether it's something as simple as animal control, sharing animal control officers, to something as large and complex as, I believe, 17 municipal units use the Guysborough landfill as their residual disposal facilities. So we're always supportive of regional service delivery.

MR. HOUSTON: In terms of the indicators, there is one indicator, the collection of tax, does the department have any role - there are a few different municipalities where they're struggling with collection of tax. I've seen that in a few - I saw it in Inverness; I saw it in the Westville indicators.

I guess this plays into one of the Auditor General's recommendations about follow-up. Does the department go to those units and sit with them and say, well listen, what's the root cause here and how can we help you more effectively and efficiently collect taxes - do those types of discussions take place?

MR. MCDUGALL: Those types of discussions would take place. We value that recommendation. One of the things that we're proposing to do is use the municipal auditor. Every municipality is required annually to have a financial attest audit done. We think perhaps that that municipal auditor can assist the municipality in improving tax collection, so we'll certainly work with the municipality and the municipal auditor.

We have produced a very comprehensive guide to the Municipal Government Act Tax Collection, and I can table that. It's available on our web page and available to municipalities, so we would make that available to municipalities, and, as Mr. Peck indicated, our advisors are active in many areas, provide advice in many areas, so we would

provide advice and suggestions as to how a municipality might be able to improve their tax collection.

MR. HOUSTON: Okay, and is that something that is going to happen going forward or is that happening now? Have you been to visit any of these - I mentioned Inverness - have you been there to work with the municipal officials there to try and help them through this?

MR. MCDOUGALL: I will turn that question, in terms of the specific to Inverness, I will turn that over to Mr. Peck. What we do know is that Inverness is in - Mark might be able to build on this - is that there is an essential role for the municipal solicitor in the tax collection process. One of the key steps is to do title work before properties are put up for tax sale. Inverness has indicated that they do have a number of properties where title is not clear, therefore they are unable to put it up for tax sale. That might definitely be an area that would elevate their uncollected taxes because there is really no action that they can take. In terms of current discussions, I will turn that over to Mr. Peck.

MR. PECK: Thank you. We have met on several occasions in particular reference to Inverness with their director of finance and her team, recognizing that one of the primary issues that they are faced with as uncollected, as Deputy Minister McDougall had referenced, is title. Without being able to secure title on the advice of their municipal solicitor, they cannot proceed with a tax sale, so we have been working with Inverness.

In addition, we have offered the assistance of other municipalities to have a very robust tax collection process to work with Inverness and to work with other municipalities as well, and Inverness has reached out and sought their advice and assistance as well.

MR. HOUSTON: Okay.

MR. PECK: Two other components, if I may, just in terms of tax collection and the importance of this recommendation for the AG: one is that we will be taking this recommendation to the municipal finance officers. We have a Spring meeting with the Association of Municipal Administrators, and we are going to bring that topic to the forefront to look for issues, solutions. We are also on the agenda for the October Tax Collectors Association; there is a Nova Scotia Association of Tax Collectors and we have asked that we be on the agenda to discuss this particular issue, again to look for opportunities.

MR. HOUSTON: Okay. That sounds like a lot of work. That looks like a comprehensive document they had there and a few other things; it is obviously at the forefront of the mind of the department as to helping municipalities with the tax collection.

My colleague was asking about the RENs. Is it too early to say if that is successful - is it a good idea, the RENs? You mentioned some are set up, but I don't know if any are

actually getting any traction as of yet. Is it something that the department is still going to pursue?

MR. MCDOUGALL: We think it is a good idea. We are always looking for ways to improve, and the Regional Enterprise Network platform is no exception to that. Mr. Peck talked about one of the areas, business retention and expansion. I think it is one of the essential programs. I think that is very valuable information; we will use that information to support the work that other agencies and departments of the province are doing.

Development of a regional plan I think is helpful. It just continues that discussion about how economic prosperity can benefit a region and not a single municipal unit, so we always think platforms or collaboration and sharing is advanced, is positive.

One of the other key elements is investment readiness. Having been a municipal administrator myself, I know municipal organizations tend to be very good at land-use planning, taxation, public works facilities, but I think there is always room to improve how investment-ready municipalities are.

What I would like to add is the REN is just one of the tools that municipalities have. I think the two most important tools, quite frankly, would be their budget and the capital plan as part of their budget – so, where communities invest in infrastructure, where they provide serviced land for economic opportunity.

MR. HOUSTON: In the RENs specifically, is Pictou County involved in a REN?

MR. PECK: At this particular point it is not.

MR. HOUSTON: So at this particular point, so the ship hasn't sailed, which REN would Pictou County most likely attach to, in your mind?

MR. PECK: I think that certainly would be a decision of the municipal councils in terms of where they saw the best fit, whether it was with the corridor or whether it was with the Eastern Strait REN - that certainly would be a decision of the local councils.

MR. HOUSTON: Has the department reached out to the local councils and said, what's the plan with RENs? When was the last kind of discussion you would have had with them about RENs?

MR. PECK: The last discussions were with the Eastern Strait REN during that formation. At that particular point in time Pictou County chose to not join the Eastern Strait REN and council still haven't made their decision in terms of where they are going to advance their decision in terms of which REN they will be with.

MR. HOUSTON: So that's kind of hands-off for the department?

MR. PECK: At this particular point, but it's certainly on our to-do list, so to speak, to rejuvenate that discussion.

MR. HOUSTON: Okay, I appreciate that. I do want to talk about the - I looked through the budget for the Municipal Finance Corporation and one of the core strategic outcomes for that organization is that they have clients that use financial management best practices. The measure they were applying to that outcome was that the percentage of municipal clients that have used the financial management best practices should be 40 per cent.

So this is the Municipal Finance Corporation saying gee, we'd really like it if 40 per cent of our municipal clients used financial management best practices, and what they found was that only 29 do. I take from that not a lot of municipalities are using financial management best practices. Were you aware of that and is it a concern of yours, and have you focused on it?

MR. MCDUGALL: That's a good question. The Municipal Finance Corporation, in the same way that the department worked with municipalities in developing the Financial Condition Index, developed a number of financial best practices. That corporation, in addition to providing long-range financing, provides advice.

We would have a number of other best practices as well that would be made available to municipalities. I'll have to commit to get back to you on whether or not the Finance Corporation - I should know, I'm the Chairman of the Finance Corporation - whether we just measure those that have adopted the Finance Corporation's suggested best practices or . . .

MR. HOUSTON: I'm content to leave that with you to maybe come back to us and see if there's any overlap between what the department is doing by way of indicators and what the Municipal Finance Corporation is looking for in terms of financial management best practices. There may be some overlap there, but maybe we can take note of that, Mr. Chairman, and let the staff come back to us on that. Other than that, I'll pass to my colleague.

MR. CHAIRMAN: Thank you. We'll move now to Ms. Zann.

MS. ZANN: Just wondering, first of all, how do you think that the steps in the action plan balance the ability to meet requirements and the risk of perhaps over-bureaucratization, meaning they're making too much red tape for municipalities to have to deal with.

MR. MCDUGALL: We're very mindful of not making a process overly bureaucratic - the example I spoke to earlier was trying to streamline the municipal reporting requirements.

We also recognize that municipalities earn order of government, and at the end of the day it's the council that needs to be held to account by its citizens on how it conducts its business. So we definitely try to balance new regulatory requirements with the importance of ensuring a good accountability framework.

MS. ZANN: What have been the impacts so far or anticipated impacts of implementing these recommendations for the DMA?

MR. MCDOUGALL: We certainly see positive impacts. We know municipalities value the financial condition index if we're able to produce that work, and other kinds of jurisdictional scan work, if you will, earlier. We know that municipalities will use that - many of them - in their decision-making process.

We know that municipalities take action on their areas of their revenue and expenditures that might be highlighted as a concern. We know they take action. We think that's a positive outcome. Any improvement in tax collection has a positive impact. It allows a municipality in some cases to reduce tax rates. Any amount uncollected results in an increase in tax rates.

While we haven't seen any defaults of borrowing by municipalities in recent memory, there's always value in ensuring that municipalities don't overextend themselves in terms of their long-term commitments. I hope that has answered your question and that we see a lot of good recommendations and, I think, positive outcomes.

MS. ZANN: The 2014 municipal fiscal review indicated that one concern was the potential that equalization may artificially sustain municipalities that are no longer viable. So will the implementation of the action plan on the AG recommendations do anything to alleviate that concern?

MR. MCDOUGALL: Any improvement in the financial sustainability of an individual municipal unit is positive. One of the measures that we have is reliance on own-source revenue. So if a municipality's revenue is primarily own-source, so the council has control over that revenue, it is seen as a positive; whereas those municipalities that might have a higher transfer revenue, so rely on support from the province, we see that as a concern that they would need to address: how can they diversify their revenue, how can they ensure that they're not vulnerable to changes in their assessment?

Definitely that's something that we monitor. I'm not sure if I got specifically to your question.

MS. ZANN: Do you think the implementation of the action plan, the recommendations will alleviate that concern? Do you think it will take that concern away, it will deal with it?

MR. MCDUGALL: No, I don't think it will take that concern away, but I think good information on their revenue side will enable them to position themselves a little better - perhaps mitigate concern around external funding but not eliminate it.

MS. ZANN: I'm just wondering as well - Section 93 of the Education Act authorizes the transfer of ownership of both the land and buildings used for schools back to the municipalities when a school is deemed surplus. However, the legislation doesn't provide municipalities with the ability to refuse to retake control of the asset. To date, the majority of schools designated as surplus have been transferred to municipalities regardless of potential liabilities associated with the building, and there is concern currently facing CBRM with the closure of 17 schools. Has this issue been raised in discussions with UNSM as an additional cost pressure given the ongoing school review process?

MR. MCDUGALL: The short answer is, yes it has. Generally, the pre-1982 schools are the ones that are transferred back to the municipality. Pre-1982, municipalities had a role in financing and building schools. At that time, it was thought that the buildings were assets. Here we find ourselves many years later, wherein in some cases the land and/or the buildings are still assets - there are some examples in Truro where the property was in a great location, valuable land, and it has been turned into residential or commercial opportunities . . .

MS. ZANN: The Willow Street condos.

MR. MCDUGALL: Exactly, the Willow Lofts are a great example of where actually that transfer was an asset. Halifax would be another example. Typically in urban areas, where the land is of value, it exceeds the demolition costs, so they're actually receiving an asset back. The problem is when it's a liability - that's typically in more rural communities where repurposing the building is not an option and the land value doesn't exceed the demolition costs. It has been raised. The UNSM has raised a number of resolutions with the department, and we are in discussions about what we might be able to do.

MS. ZANN: I noticed that of the buildings, there are two other schools that are going to be not used, but they were the P3 model, and those go back to the developer. Apparently, they've been maintained, and they're in quite good shape - at the public expense. So the public has been paying to keep them in really good shape, and now they're being given back to the developer, yet the public gets landed with a bunch of buildings that are needing a lot of work. They're probably going to be needing a lot of help with that, by the sounds of it.

MR. MCDUGALL: Yes, it's a challenge.

MS. ZANN: It must be. The other thing is, the 2014 municipal fiscal review addressed a number of external funding pressures facing municipalities. Compliance with regulatory requirements is expected to increase municipal debt and expenditures. That

impact will not be spread evenly across municipalities and is expected to exceed economic growth. Will these new tools and processes that the DMA has implemented based on the AG's recommendations have any application for these external funding pressures?

MR. MCDOUGALL: Thank you for the question. I believe it will. The example I use is the waste water regulatory pressure in terms of what municipalities are permitted to discharge. The kind of two main approaches: the governments would use Building Canada or infrastructure programs to support those regulatory pressures. Perhaps the best example would be Cape Breton Regional Municipality, where they have a significant waste water project ahead of them over the next decade. An approximately \$60-million project was approved - \$20 million provincial, \$20 million federal, and \$20 million local - to start addressing that regulatory requirement.

But in terms of the Auditor General's recommendations, again, I go back to the Financial Condition Index. Five revenue dimensions are looked at. One of them is a residential tax burden, so municipalities would have the opportunity to look at it if they have room to fund new cost pressures through residential tax burden or they might choose to - their general rates, et cetera, they might choose to look at some user charges, typically water. Almost all - in fact, all of our water utilities are regulated utilities with user charges. So yes, we think the information we produce will help them make those decisions on how quickly they can tackle those pressures.

MS. ZANN: That's good, okay - three minutes. Has the DMA had any opportunity to have discussions with Halifax council around the issue of zoning, as related to the proposed expansion of the Steele Auto Group along Robie Street?

MR. MCDOUGALL: Not to my knowledge to date.

MS. ZANN: I think that's going to become a bigger and bigger issue as there's a lot of people who are concerned about that. You've heard about it, though, right?

MR. MCDOUGALL: I sure have.

MS. ZANN: The other question was, in the municipal fiscal review of 2014, it identified the need for the DMA to play a greater role in connecting municipalities with other provincial departments, as required. Will these new tools and processes that the DMA has implemented, based on the AG's recommendations, have any application for addressing this need?

MR. MCDOUGALL: I don't know that any of those eight recommendations specifically point to that, but we certainly recognize how horizontal we have to approach our work with municipalities as a government. For example, there are environmental protection regulations that would impact on municipalities. We would work with our colleagues in the Department of Environment. Policing is probably the highest cost

generally in municipal budgets. We would work with our colleagues in the Department of Justice.

Fire services are over \$100 million a year. The Office of the Fire Marshal resides in the Department of Municipal Affairs, so we do recognize the importance of working across government and setting priorities across government about the role of local governments advancing our communities, making them good places to live and economically competitive.

MS. ZANN: Thank you. Is that it?

MR. CHAIRMAN: You have one minute remaining.

MS. ZANN: I actually wouldn't mind using that one minute. Just to ask very quickly about the flood mitigation, are you feeling confident that the municipalities and towns are - I know that in Truro and in Colchester County they're working together on the Flood Advisory Committee - how are you feeling these days with regard to our safety about possible flooding, are we going to be prepared?

MR. MCDOUGALL: The Flood Risk Infrastructure Investment Program in Colchester-Truro is a shining example of how a council can take measures to mitigate against risk. The Emergency Management Office also resides in the Department of Municipal Affairs. Every municipality does a risk assessment and would identify their highest risk. In some communities flooding would be one of their highest risks; other communities are not exposed to flooding. I'm confident that a lot of effort has been put into identifying risks and looking at mitigation opportunities, but it's before us and more work needs to be done.

MR. CHAIRMAN: Order. We'll move to Mr. Wilson.

MR. GORDON WILSON: I believe we have 14 minutes?

MR. CHAIRMAN: Yes, you have 14 minutes.

MR. GORDON WILSON: Back to the governance structures between towns and municipal units. I know that again timing is everything but I'm curious, when you have a town and a municipality that have some - just to give an example. I know that in my area I believe there are up to as high as 17 shared-service agreements, and it's commendable that they have those, but yet I know from looking from the inside out that the fruits of working together and that total immersion of the two units does have some merit. How do you validate two municipal units that are fairly strong, that have good shared service agreements - how do you validate that as still a good opportunity for them to combine their governance structures?

MR. MCDOUGALL: In structural change, there is definitely quantitative elements that can be put on paper. Efficiencies identified and forward-looking budgets created where you would see efficiencies on the quantitative side of the decision making. There is definitely also the qualitative side of the decision making.

An example perhaps I would use is, Mayor Clarke from the region of Queens Municipality recently spoke at the workshop I referenced on April 8th. He said that the decision on Queens Place, their new recreation facility, was made in half a day - one council with options presented and a very quick decision. Before that, they had both one town, one rural municipality, two villages - four decision-making bodies trying to work together to engage and make a decision. We definitely see a qualitative benefit that can be realized; just harder to put that down in paper as evidence. I am not sure if that got to your question, but the decision is partly qualitative, partly quantitative.

MR. GORDON WILSON: I understand that answer. What I am curious about is how we get that message out. What role and what thoughts would you have on - you're talking to the choir here, but how do we as leaders in the communities get that message out?

MR. MCDOUGALL: We have seen Mayor Clarke as an example for Queens or John Leefe as a former mayor of Queens do a number of speaking engagements. That is one approach, to just continue to use those opportunities to speak to the community. As Mr. Peck referenced, we have the review of the Canso structural change that is available. We can use written documentation as tools to try to get the message out. We have a decision-making flow chart on our webpage. Municipal elections are always an opportunity for communities to engage in that discussion.

So we support education and tools around the municipal elections for communities to engage in what is important to them. I don't know if Mr. Peck has anything to add.

MR. PECK: The only other piece I would add to that is now that we have been through a number of structural changes in the province, those councils that have gone through that are certainly very positive towards the structural change, and I think their voice can place quite a positive lens over the benefits of structural change. They too can speak to the message of structural change.

MR. GORDON WILSON: Just one quick final question from me and it is in a different area - Recommendation 5.6, around the tracking of ensuring that life cycles of these capital projects are tracked properly and costed properly and sustainable. Tangible capital assets - that has been around for a while. Has it been around for a while as a reporting necessity with the municipal government?

MR. MCDOUGALL: I do not know the exact year but in the mid-2000s, the Public Sector Accounting Board established new reporting requirements for municipalities. So a number of years were provided to public organizations to record the value of their tangible

capital assets on their books, so it has been around about a decade, maybe a little less than a decade, so that's the starting point.

Through the gas tax program, so that capital unconditional program for the federal government, there's a requirement for us to improve capital asset management planning, so it's taking that static information and then using it as a decision-making tool for council. For example, tools to identify which assets might need replacement before others would assist them in making their capital improvement plans, I guess, more scientific. So in the next year or two we'll see an additional tool available to councils and municipalities.

MR. GORDON WILSON: Thank you. That's it for me.

MR. CHAIRMAN: Mr. Rankin, you have approximately seven minutes remaining.

MR. IAIN RANKIN: Thanks. I wasn't going to ask questions today but since we have time left, let's talk about HRM a little bit. It seems to me there has been an inordinate amount of time given to the debate on HRM Charter changes in the House.

My understanding is that the bill that's asked to remove the requirement, the seal, which is an archaic way of doing business that goes back to probably the Roman times, that this is not a frivolous ask. I'm not sure what's worse: that the Opposition doesn't recognize the salience in removing the seal, or that they just don't respect a legitimate ask from HRM in their efforts to do business faster.

I guess I'll ask the question, has the Opposition reached out to the Department of Municipal Affairs, or HRM for that matter, to learn of the importance of removing that requirement, to your knowledge?

MR. MCDOUGALL: Not to my knowledge.

MR. RANKIN: Maybe for the benefit of the committee and other members, did the proof of seal delay transactions, to your knowledge, and is that why they asked? Maybe you can elucidate on the impetus behind this ask, where it emanated from, and then maybe that way we can get some buy-in from the Opposition.

MR. MCDOUGALL: Thank you for that question. I referred earlier to the broad review of the Municipal Government Act and the areas that we'll focus on. One of them was around housekeeping or improvements to the legislation. So the requirement to put a seal on was identified there and the requirement to remove the seal or the advantage of removing the seal was identified by municipalities to the Municipal Finance Corporation, just to allow quicker processing.

It's a digital world now so looking to make it more streamlined. I'm certainly aware of perhaps delays caused by having to send paper back and forth between the Municipal Finance Corporation and municipalities.

MR. RANKIN: So today they would be able to do a transaction via email without the seal, correct?

MR. MCDOUGALL: Without the seal - it will be digital, correct.

MR. RANKIN: So this is about an evolution of the way people are doing business in the corporate world and the government world needs to come along with that. It's not unlike when transactions were done via fax and that was an evolution to be able to accept a faxed signature. I think that it's not frivolous and maybe we can get the Opposition onside with us to get that bill forward. That's all I have today, thanks.

MR. CHAIRMAN: Thank you, Mr. Rankin. Mr. Farrell.

MR. FARRELL: Just following along that same note and following on your comments, Mr. McDougall, about the overall review of the Municipal Government Act that's ongoing, I'd just like to get into that a little bit because something else that I've heard recently on the floor here of the Legislature is that there's an appearance that amendments to the HRM Charter, for instance, are being brought in in a piecemeal fashion and that there have been a number of pieces of legislation brought in since October 2013 with respect to changes to the HRM Charter.

The implication, I think, in these statements was that these are random acts, and that if folks in the department, or folks in the government had their act together, they could take a big broad snapshot of the whole thing and fix up everything in one fell swoop.

I guess from where I sit, I can see the problems with that but, I'd like you to perhaps explain a little bit more about the overall review that's going on with respect to the legislation surrounding municipal governments in Nova Scotia, the charter and the MGA that applies to the rest of the province, and help others to understand how this is a comprehensive rational process.

MR. MCDOUGALL: Our strategy has been to do both. We look at a comprehensive review where a government will consider the opportunity to introduce a number of changes all at the same time. We also look at the opportunity of each sitting in the Legislature to make improvements. In HRM's circumstance, they've provided the department with a number of recommendations for amendment to the HRM Charter, and when we have the opportunity to make immediate changes, we also do that as well.

For HRM it's easier for the department to engage in collaborative discussions, because it's one municipal unit. So, in a way we are able to move much more crisply with the HRM Council in giving them the tools they need. Whereas for the Municipal Government Act, we would have 50 municipalities that would have an interest in the proposed amendments and that can take a little longer. So, our strategy is to continue to use both approaches. To use a rational, comprehensive review by functional area, and to look at opportunities to make changes each sitting of the Legislature.

MR. FARRELL: Okay, thanks for that. How much time do we have, Mr. Chairman?

MR. CHAIRMAN: You have 35 seconds.

MR. FARRELL: Well, I'll take that opportunity to thank our guests from the Department of Municipal Affairs for being here today and providing us with your frank advice and information.

MR. CHAIRMAN: Thank you. Mr. McDougall, we'll give you a chance to provide some closing comments.

MR. MCDUGALL: I'd like to thank the Public Accounts Committee for the opportunity to respond to some of your questions. Obviously they're very interesting to me and I value this opportunity. I'd like to also thank the Auditor General, Mr. Pickup and the team, particularly Evangeline - it was a pleasure working with her on this file and we see value in that process. I guess finally, I'll thank the DMA team for responding so quickly to the recommendations provided. It takes a team to advance change, and I want to publicly thank them for all the work that has been done by Mr. Peck and his team as well as the others in our department. So, thank you very much.

MR. CHAIRMAN: Thank you very much for being with us.

We do have some committee business. We have correspondence from the Department of Transportation and Infrastructure Renewal on the issue of leased office space. Are there any questions or comments on that correspondence? Mr. Houston.

MR. HOUSTON: Did we get an answer this time?

MR. CHAIRMAN: This letter seems to indicate client departments do not keep the department informed of the movement of staff and space within their premises.

MR. HOUSTON: So, still no answer.

MR. CHAIRMAN: Well, it's certainly not for me to say as the Chair, but this is information that the committee has requested. You will recall that we received a couple of pieces of correspondence on it. One stating that there was no unleased space, but followed by, we don't have a way of tracking it. Then followed by a suggestion that this original letter be directed to the Department of Transportation and Infrastructure Renewal, and now the most recent response from TIR, which I believe you all have before you.

Okay, you don't have it before you, I apologize, it has been circulated. I will very quickly read the response dated April 26th:

While TIR manages all government leases of space, client departments do not keep the department informed of the movement of staff and space within their premises. We do rely on departments to inform us when there is a significant amount of vacant space that they believe will no longer be required. A recent example would be the creation of the Department of Business replacing the Department of Economic and Rural Development and Tourism (ERDT). In that case, TIR was involved in closing the rural offices and also found alternate use for the two vacant floors in ERDT's head office in the Centennial Building in Halifax.

With regard to the Land Registry office in Pictou County, TIR has approached the municipality with a request to release the province from the lease. The municipality was unwilling to do that at the time. The lease for the Land Registry office expires on January 31, 2019. There is a possibility that, if amalgamation goes forward in the Pictou/New Glasgow area, the municipality may require more space and hence allow the province out of the lease early without penalty. If not, our only option would be an alternative government use or to find a sub-tenant, which is not easy. Service Nova Scotia is currently in the process of cleaning out the Pictou office.

That is the response. Are there any comments? Mr. Rankin.

MR. RANKIN: I would just say that if we're not satisfied, there's only so much you can do in written correspondence. Next week is agenda setting, so there's an opportunity to call - if the committee wants to have a topic surrounding lease spaces within government, that's an option, if they're not satisfied.

MR. CHAIRMAN: Are there any further comments? I know our clerk has requested topics, but if it's okay with the committee, perhaps that one could be added for consideration by the subcommittee next week.

I see agreement. Thank you.

The next piece of correspondence we had - I think we would like to share this with you more so for information. This is dating back to July 2014, when our committee wrote a letter to the Deputy Minister of Internal Services requesting that the Deputy Ministers' Audit Committee assume responsibility for ongoing monitoring and oversight of Auditor General recommendations. This has been distributed to the committee.

The letter wasn't responded to initially. We followed up. We did get a response in December, which you can read. Essentially, it says that the Audit Committee and the deputy minister responsible for that weren't quite in agreement with our recommendation. There was then a meeting between the Auditor General's Office and that deputy minister where there was some agreement between the deputy and the Auditor General's Office,

followed by a March 19th letter, which at the time, I believe, was not shared with the committee, but the committee can read that letter.

I think it's perhaps best that you actually look at this, and if you wish to raise this as an item for future business with the committee, I think it's best that you do that at a future date, to give people time to read the correspondence. The purpose of this was to try to raise the success rate for implementation of Auditor General recommendations, which in 2011 was only at a rate of 45 per cent. Of course, we know from last week it has improved up to 60 per cent, but I think the goal for our committee at the time was to try to increase the implementation rate of recommendations.

We will move on from that. The last thing I will mention is at our next meeting, which is May 11th, we will have a briefing from 8:30 a.m. to 9:00 a.m. with the Auditor General for the meeting following that, which will be with the Department of Education and Early Childhood Development and three regional school boards, to discuss the topic of the November 2015 Auditor General's Report, Chapter 2: Regional School Board Governance and Oversight. Following that, we will have our Subcommittee on Agenda and Procedures to decide topics for future meetings.

Are there any comments, questions or items of business anyone wishes to bring before the committee?

MS. ZANN: Who will be there, then, from the department?

MR. CHAIRMAN: We do not have the Deputy Minister of Education and Early Childhood Development - oh, I'm just hearing now that we will have the Deputy Minister of Education and Early Childhood Development at that meeting. I presume we will have the superintendents of the three boards - or the board chairs, we will have.

MS. ZANN: Which school boards are they again?

MR. CHAIRMAN: They are the Strait Regional School Board, I believe Halifax Regional School Board, and CCRSB which is Chignecto-Central Regional School Board.

MS. ZANN: That's mine, okay, great. Excellent.

MR. CHAIRMAN: Any other questions, comments or business? Hearing none, this meeting is adjourned.

[The committee adjourned at 10:55 a.m.]