



West Hants
something inspiring awaits

**WEST HANTS REGIONAL MUNICIPALITY
Audit Committee – Meeting Agenda **AMENDED**
March 8, 2023, 6:00 p.m.
Facebook Livestreamed**

1. Call to Order
2. Declaration(s) of Conflict of Interest
3. Announcements / Introduction of New Committee Member
4. Approval of Agenda, including additions or deletions
5. Approval of December 9, 2022 Minutes, including additions or deletions
6. Unfinished Business
 - a) Martock ACOA Expenditure Designation
 - b) Financial Services Mentorship Update
7. New Business
 - c) 2020-21 Financial Indicator Report – Acting Financial Services Director
Gibson
 - d) Financial Update to December 31, 2022 – Acting Financial Services
Director Gibson
 - e) Audit Committee Terms of Reference (TOR)
- ~~8. In-Camera~~
9. Date of Next Meeting
10. Adjournment



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**WEST HANTS REGIONAL MUNICIPALITY
Audit Committee – Meeting Minutes
March 8, 2023, 6:00 p.m.
Via Zoom and Facebook Livestreamed**

Present :	Abraham Zebian	Mayor / Committee Chair
	Jeff Hartt	Councillor, District 4
	Laurie Murley	Councillor, District 10
	Kathryn Duffy	Resident Member
	Meagan Halverson	Resident Member
	Diana Gibson	Acting Director of Financial Services
	Mark Phillips	Chief Administrative Officer (CAO)
	Carmen Dewar-Miller	Admin Assistant, Financial Services

1. Call to Order – Mayor Zebian called the meeting to order at 6:00 p.m.
2. Declaration(s) of Conflict of Interest – None
3. Announcements / Introduction of New Committee Member
Mayor Zebian introduced new Resident Member, Meagan Halverson and welcomed back reappointed Resident Member Kathryn Duffy.
4. Approval of Agenda, including additions or deletions
**MOVED by Councillors Murley and Hartt that the agenda be approved.
Motion Carried.**
5. Approval of December 9, 2022 Minutes, including additions or deletions
**MOVED by Councillors Murley and Hartt that the December 9, 2022 meeting minutes be approved.
Motion Carried.**
6. Unfinished Business
 - a) Martock ACOA Expenditure Designation – Acting Director Gibson
At the last Audit Committee meeting in December, the question was raised as to where the Martock Fresh Water Project expenses could be found in the audited financial statements. Acting Director Gibson advised that this is currently a capital project and the expenses are included on page 15 of the financial statements, in note five, Tangible Capital Assets. The amount of \$798,994 for Additions for Parks includes the project's expenses. The associated revenue received to date has been added to our Investment in Capital Assets to counteract the expense incurred. As this is still a work in progress,

there is no depreciation and it does not show up in the operating portion of the financial statements, only in the capital.

b) Financial Services Mentorship Update – Acting Director Gibson

This update stems from recommendations brought forth in the auditors' management letter presented to the committee in December. The auditors expressed concern about the number of adjustments required during the audit process. These were attributed mainly to key staff absences and the inability to secure short-term support for the Financial Services (FS) Department. It was recommended that the municipality invest in additional supports for the department through training and mentorship. Committee members asked to be kept informed by staff as a plan was formed and actioned.

West Hants resident, Kevin Matheson has since been engaged to mentor and train with the FS team. Mr. Matheson has a great deal of both financial and municipal experience. CAO Phillips and Acting Director Gibson had an introductory meeting with Mr. Matheson to go over the FS organization chart, financial statements and budget. Mr. Matheson attended an FS staff meeting to introduce himself and meet the team. He spent a couple of days at the municipal office meeting individually with staff and working with Acting Director Gibson. Departmental procedures and processes were reviewed as were the adjustments made during the audit.

In an update emailed to CAO Philips and Acting Director Gibson, Mr. Matheson expressed that he was impressed with the staff and the procedures in place, especially being down two key team members. He has recommendations involving streamlining some processes. During his review of the audit adjustments, he found that of the 34 adjustments made, they really only touched on nine individual issues. He will be doing a deeper dive into this in the coming weeks. Acting Director Gibson, CAO Phillips and Mr. Matheson will be having a follow-up meeting to see how individual staff discussions went and to plan next steps.

Councillor Hartt asked if committee members could receive a copy of Mr. Matheson's email update. CAO Phillips advised that this would be possible but the information should be kept confidential. He added that Acting Director Gibson has basically summarized the email word-for-word. Mr. Matheson would have attended this evening's meeting had he not been away on vacation. We would anticipate having him here at the next meeting or at the conclusion of his engagement to provide a full report. If there were anything specifically staff-related in his report, we would take that portion of the meeting in-camera. To date, Mr. Matheson is quite comfortable with what he has seen. He has listed some areas for improvement.

Mayor Zebian endorsed the mentorship initiative, saying staff have been doing a wonderful job. Resident Member Duffy expressed that she was both pleased and impressed with the action taken and progress made.

7. New Business

c) 2020-21 Financial Indicator Report – Acting Director Gibson

This report was received from the province and it reflects the results from our first year of consolidation. It is created to help municipal councils and residents make sense of municipal financial information. A house model is utilized within the report which separates financial indicators into three areas – roof (overall health of the municipality – reliance on government transfers, deficits in the last five years, liquidity, combined reserves), structure (includes individual factors that impact the health of the municipality – uncollected taxes, operating reserves, debt servicing, outstanding operating debt and undepreciated assets), and base (includes factors not entirely in the municipality’s control but still add to the health of finances – reliance on a single business, three-year change in tax base and residential tax effort).

The province looks at our 2020-21 financials and how we compare to other municipalities and assigns us a grade to indicate how we are doing. Green is considered low risk (good). Yellow is moderate risk (keep an eye, work to improve). Red is high risk (risk of financial instability). Green is where we want to be.

Looking at 2020-21, there were two items that we could not be rated on due to it being our first year as a regional municipality. These were Deficits Within the Last Five Years and Three-Year Change in the Tax Base. Once we have that historical information we will see ratings in those areas. Uncollected Taxes is the one area where we are seeing a yellow rating. The former Municipality of West Hants saw a yellow rating in Uncollected Taxes for its last five years (with a slow improvement each year). In 2020 we were unable to hold our annual tax sale which caused the outstanding tax percentage to increase for that year. Having held a tax sale last year and with one coming up this year, we should see a decrease in the percentage of uncollected taxes as we receive those corresponding annual reports.

From the two former entities there have been three improvements from yellow to green:

- Operating Reserves, which provides the value of funds the municipality sets aside for future planning to help offset extreme changes in budgeting. A green rating indicates that the municipality is setting aside sufficient funds to mitigate any unforeseen risk or future need.
- Residential Tax Effort, which assesses the affordability of municipal taxes in relation to the service level, is now green. This means that the municipality does have capacity to increase taxes if needed.
- Debt Servicing, which compares our total debt servicing cost to total revenue from own services has moved from yellow to green. A green rating means that the municipality has flexibility to increase borrowing levels if needed to sustain future projects.

Overall, the province has given us a low-risk, green rating.

Councillor Murley referenced a section of the report where it stated the former Municipality of West Hants was at a low risk for residential tax effort (at 2.5%), and that the former town of Windsor was at a moderate risk at 4.9%. She noted that the

combined residential tax status for the region is low risk at 2.9%. The report subsequently states that there is some flexibility to increase the tax rate.

Councillor Murley asked if there is a 0.3% capacity increase, but if we assessed the risk based on the former entities' boundaries, where would we be sitting today? Is the area within the former Town of Windsor boundaries truly at a 2.8% rating, or would it be higher? She is concerned about the affordability within former town boundaries. If it's not reflected accurately, especially as they begin budget deliberations, she questions where they will end up with those tax rates.

Acting Director Gibson responded that when the province looks at this report, they do not take the former entities into account, they look at it as a whole region. Although Acting Director Gibson stated that we have a capacity to increase taxes, she is not suggesting that we do. She does not know if the province would provide a number for the former town or each individual area.

Councillor Murley worries that even though the capacity is there, it may not be accurately reflected through the entire region.

CAO Phillips commented that the median household income is a static number until statistics are updated. Not an exact science.

Councillor Murley raised another point regarding managing tax revenues. Part of the reason we are seeing some risk was due to not being able to hold the tax sale. Were there any other factors leading to that rating? Do we have a tax collection provider?

Acting Director Gibson responded that we do not use a collection service. It is all done through the tax sale. Taxes have to be in arrears for at least two years for a property to be put on the tax sale list. That is how we manage outstanding taxes. She is not sure what specific circumstances put the former municipality in yellow in past years. She defers to Mayor Zebian.

Mayor Zebian advised that the former District of West Hants was always between 11% and 13% for Uncollected Taxes. Once they started implementing internal controls such as sending out tax reminder notices and making follow-up calls, the percentages started to go down. Then COVID hit and the tax sale was cancelled. Over next two years Mayor Zebian is confident that internal controls will continue to have a positive impact and we will see this percentage decrease.

CAO Phillips is not sure about 2020-21, but in the following year, we have an abnormally high concentration of properties in a development in the eastern end of the region contributing to uncollected taxes (currently on a tax sale list). This will influence 2021-22 as we elected not to take these properties to tax sale at that time.

Councillor Hartt asked if the increase in assessments we are currently experiencing is taken into consideration when the province reporting on our capacity to increase taxes.

Acting Director Gibson advised that assessments are not considered. It is a calculation based on median household income and tax rate. The capacity is there but we are not in a position where we need to increase taxes.

Mayor Zebian reminded the committee that financial indicators are a comparison region to region. If we were to compare ourselves to the Town of Wolfville, there would be no comparison. Region to town differs. He is happy to see all the greens. Overall, we are financially healthy. Since 2016 he has only seen improvement. It shows that consolidation was a great move financially.

d) Financial Update to December 31, 2022 – Acting Director Gibson

Prior to her update, Acting Director Gibson noted that formatting within the report has been adjusted. Sewer Revenue and Sewer Expenses have been removed to provide a more accurate reporting of general operations.

Acting Director Gibson advised that as of December 31, if all revenue and expenses occurred evenly throughout the year, we would have expected to use 75% of the budget. As nothing happens evenly, we have used 96.3% of our revenue budget and 67.2% of our expense budget. There is a surplus projected of \$296,744. The main reason for the revenue surplus continues to be Deed Transfer Tax. \$1.8 million was conservatively budgeted. While a slowing trend is occurring, as of Dec. 31, we reached 2.14 million in Deed Transfer. With numbers in for January and February, we are now projected at 2.5 million. March should see another slowdown.

When it comes to expenses, we are projecting 2.1% over budget. This projection is related to fuel costs in departments that require travel and encompass the majority of the region's fleet.

The municipality is still experiencing staff expense savings across several departments as we continue to try to fill positions. Had these positions been filled earlier in the fiscal year we may have been over budget.

Mayor Zebian commented that Council should continue to pay close attention to Deed Transfer and maintain a conservative outlook going forward.

e) Audit Committee Terms of Reference (TOR) – Acting Director Gibson

The committee had the opportunity to review the Terms of Reference. There were no changes required or suggested.

The mention of audit cost in the TOR triggered a question from Councillor Hartt regarding the cost of the most recent audit. Was our cost really high or above budget?

Acting Director Gibson advised that the cost was not high. Kent and Duffett did charge us \$2500 extra for the additional work they did. However, we had budgeted for \$7,000 - \$8,000 for each of the water utilities, but they only charged us one-time amount of \$7,000 - \$8,000 that included both utilities. The cost actually came in less than budget.

Resident Member Halverson asked for clarification on the committee’s meeting calendar, specifically meetings two and three (meeting with the auditors).

Acting Director Gibson advised that this would be the first meeting of the year, with meeting two (an audit planning meeting with the auditors), in June, and meeting three (an audit presentation meeting), in September.

8. In-Camera – No In-Camera required.
9. Date of Next Meeting – Late May or June, 2023
10. Adjournment
**MOVED by Councillors Hartt and Murley that the meeting be adjourned.
Motion Carried.**

The meeting was adjourned at 6:32 p.m.

X

Committee Chair