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Item No. 12.4.2
Audit & Finance Standing Committee
October 18, 2017

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: Original Signed

Jacques Dubé, Chief Administrative Officer

Original Signed

John Traves, Director, Legal, Municipal Clerk and External Affairs

DATE: October 12, 2017

SUBJECT: Halifax Community Road Train Funding

ORIGIN

At the July 18, 2017 meeting of Halifax Regional Council, the following motion was passed:

THAT Halifax Regional Council accept the request made by the proponent to fund the Halifax Community Road Train, subject to the following:

1. Approval be contingent on receipt by the Municipality of:
 - a) proof of incorporation of the not-for-profit society established to operate the Train;
 - b) a detailed budget that includes expected contributions of confirmed partners;
 - c) a detailed Service Plan, hours of operation, number of daily trips and passenger capacity;
 - d) a requirement for detailed data collection and reporting to HRM; and
 - e) identification of a funding source by way of the Audit and Finance Standing Committee.
2. Staff negotiate a Contribution Agreement with the incorporated not-for-profit society established to operate the Train;
3. The Chief Administrative Officer execute the Contribution Agreement; and
4. Staff return to Regional Council with an evaluation of the 2017 service to determine if the requested funding for 2018 and 2019 will be considered.

July 18, 2017 Regional Council report, titled Halifax Community Road Train, Item 14.1.18

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved, Dec 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend to Regional Council that the Halifax Regional Municipality use funds from M310 - 8004 to provide a grant of \$50,000 to the Halifax Community Road Train Society to support the 2017 operation of the Community Road Train service.

BACKGROUND

A report regarding the Halifax Community Road Train project ("Road Train") was discussed at the July 18, 2017 meeting of Halifax Regional Council. The report was the result of a presentation by Dennis Campbell, the CEO of Ambassatours, to the Halifax and West Community Council at their March 22 meeting regarding the proposed Road Train. At that time, the Road Train was a proposed service in the downtown core that would be funded by organizations such as the Waterfront Development Corporation and the Downtown Halifax Business Commission, and local businesses, combined with 'pay as you can' donations from the ridership. To complete the required funding and support the project, the Municipality was asked to consider providing a three-year financial commitment as follows:

- Year 1 (2017/18) - \$50,000
- Year 2 (2018/19) - \$40,000
- Year 3 (2019/20) - \$30,000

The July 18 report recommended against funding the project based on certain factors, as well as issues identified in an accompanying In-Camera report. However, the report highlighted several potential benefits of the service such as its contribution to construction mitigation and added capacity to move people through the downtown core. After discussion at the July 18 meeting, the motion outlined in the Origin section of this report was tabled and passed, directing that Year 1 of the project receive municipal funding, subject to conditions. The Discussion section of this report outlines those conditions and additional information received to date. As noted in the Motion, should Regional Council agree to provide the \$50,000 grant in 2017/18, the Chief Administrative Officer (CAO) has been authorized to negotiate and execute a contribution agreement with the Halifax Community Road Train Society.

DISCUSSION

Not-for-Profit Society

The previous report noted a potential issue with provision of a grant to a not-for-profit entity attached to a private sector business, based partially on a December 2011 report by the municipal Auditor General that reviewed HRM's contribution to the Seaport Farmers' Market. That report raised some concerns with the practice of providing funding that is aligned with a private sector entity. Therefore, the motion notes that funding to support this initiative is contingent on receiving further information on the society operating the service.

The Halifax Community Road Train Society was established to ensure arms-length representation from Ambassatours. The municipality has received a Certificate of Incorporation under the Societies Act (Registry Number 3306214), and by-laws for the Road Train Society. A Board of Directors has been established for the Society which includes Councillor Mason, as well as representatives from Ambassatours

Gray Line /Murphy's, the Tatamagouche Road Train Society, Waterfront Development Corporation Limited, and the Halifax Downtown Business Improvement District. Minutes from the first meeting of the Society's Board, held on August 21, 2017, have been received by the Municipality. The Society leases the vehicle from Ambassatours and operates the service using a management fee agreement.

Budget and Contributions from Partners

A budget has been provided by the Road Train Society, which details actual revenues and expenses to date in 2017, forecast figures for the remainder of 2017, as well as 2018 and 2019. In addition to the proposed municipal contribution of \$50,000, the 2017 actual and forecast figures include donations from other partners, such as the Waterfront Development Corporation, as well as revenue received from selling advertising on the Train. Total passenger donations for the season are budgeted at more than \$77,000. The Society has restated their previous commitment that any profit realized in 2017, currently budgeted at approximately \$4,500, will be directed solely into improving the 2018 version of the service. Current estimates indicate that the Society is likely to meet or exceed its revenue targets. Potential improvements range from adding enclosed passenger cars for inclement weather to adding a second train.

Service Plan

The Road Train was proposed to run seven days per week from June to October 2017 in an approximate twenty minute circular loop along Lower Water Street and Hollis Street. The eight stops for the Train included the Cunard waterfront parking lot, Maritime Museum of the Atlantic, Chebucto Landing, and the Historic Properties. The service plan provided for the Road Train indicates that the fill rate for the train was anticipated to rise from an average of 20% in May to 60% in the peak months of July and August. Eighteen trips per day on the four kilometre route were expected to result in an estimated 64,000 passengers using the service from May to October 2017. Total trip kilometers for the Road Train are estimated at more than 13,000. Confirmation of these estimates will be sought as part of the 2017 evaluation of the Road Train service.

Council Priorities

As noted in the previous report on this issue, the concept of the Community Road Train relates to three of the multi-year Council Priority Outcomes approved by Regional Council in December of 2016. The idea of moving people through the downtown core via a financially and physically accessible vehicle supports the Safe and Accessible Transportation Network priority under the Transportation outcome, as well as the Accessible Community priority under the Social Development outcome. Moreover, the Road Train proposal may have some indirect benefit to the Focus on the Regional Centre priority under the Economic Development outcome by helping to contribute to a vibrant and animated downtown hub.

Future Funding

Ambassatours has requested funding for three years to support the Road Train Society. If approved by Regional Council, this report will result in the provision of the \$50,000 funding request to support Year 1 (2017/18). Provision of 2018/19 and 2019/20 funding is contingent on an evaluation of the 2017/18 service and completion of the contribution agreement. The 2017 evaluation is being prepared in a separate report, which will be authored upon receipt of final reporting from the Road Train Society. That report is expected to be brought to Regional Council late early in 2018.

FINANCIAL IMPLICATIONS

There are no funds budgeted in either 2017-18 or 2018-19 for this initiative. If Regional Council decides to provide the \$50,000 contribution for 2017/18, it will be included as a cost in M310-8004 (Other Fiscal Services - Grants). The requested 2018/19 and 2019/20 contributions of \$40,000 and \$30,000 respectively will be considered, following an evaluation of the 2017 service, during budget preparation for those two fiscal years.

RISK CONSIDERATION

There are no significant risks associated with the recommendation in this Report. The risks considered rate Low.

COMMUNITY ENGAGEMENT

Not applicable.

ENVIRONMENTAL IMPLICATIONS

Not applicable.

ALTERNATIVES

The Audit and Finance Standing Committee may decide to not forward this report to Halifax Regional Council for approval.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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