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Item No.
Audit & Finance Standing Committee
February 21, 2018

TO: Chair and Members of Audit and Finance Standing Committee

SUBMITTED BY: Original Signed

Jerry Blackwood, Acting CFO/Director of Finance & Asset Management

DATE: January 12, 2018

SUBJECT: Request for Funding: Community Museums – Fiscal Year 2017-18

SUPPLEMENTARY RECOMMENDATION REPORT

ORIGIN

March 7, 2017 - Halifax Regional Council requested staff reports to address the following motions:

1. Develop an Administrative Order for an interim funding program for community museums, consistent with the request received from the ad-hoc community museum committee as outlined in attachment C of the staff report dated February 1, 2017, and return it to Council for consideration; and
2. It is further recommended that prior to the Administrative Order returning to Council for consideration, staff prepare a supplementary report outlining a funding source in order to consider \$220,000 of annual funding for the interim funding program commencing in 2017/18 and that this report be provided to Audit and Finance Standing Committee prior to returning to Regional Council.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter (“HRM Charter”), S.N.S. 2008, c.39

79(1) The Council may expend money required by the Municipality for

...

(av) a grant or contribution to

(v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province,

Administrative Order One, The Procedure of the Council Administrative Order

Schedule 2. Audit and Finance Standing Committee Terms of Reference

8. The Audit and Finance Standing Committee shall review and make recommendations on proposals coming to the Council outside of the annual budget or tender process including:

(a) new programs or services not yet approved or funded.

(g) the creation or modification of reserves and withdrawals not approved in the approved budget.

Administrative Order 2014-015-ADM Respecting Reserve Funding Strategies

5. The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend to Regional Council that:

- 1) interim funding of \$55,000, be allocated for heritage organizations in fiscal year 2017-18 with funding from operating as outlined in the Financial Implications section of this report; and
- 2) the distribution of these funds be in accordance with Option 1 as described in Attachment 1 of this report.

BACKGROUND

On April 21, 2016, the Community Planning & Economic Development Standing Committee requested a staff report to identify options and opportunities for the creation of an annual funding program for heritage organizations in HRM¹. The report was to include an assessment and recommendations regarding a systematic policy-driven approach to:

- a) capital, maintenance and operating costs related to municipally-owned facilities and collections operated by the municipality or by arms-length not-for-profits;
- b) periodic capital and/or annual operating costs of municipally-owned facilities and collections operated by arms-length not-for-profits; and
- c) any other funding for heritage programs that may be appropriate to consider as part of this approach.

In a report to Regional Council's meeting of February 16, 2017, a staff recommendation to defer development of a new funding program pending a proposed Culture and Heritage Priorities Plan was defeated. Instead, Council directed staff to (1) develop a new Administrative Order and (2) prepare a supplementary report to identify a funding source in order to consider \$220,000 of annual funding for the interim funding program commencing in 2017/18.

The proposed Administrative Order will follow in fiscal year 2018. The draft 2018-19 operating budget includes the full year budget of \$220,000. This report addresses only Council's second motion and includes funds for the last quarter of 2017-18 (ie $\$220,000 * \frac{1}{4} = \$55,000$).

DISCUSSION

In the absence of program policy or a budget, any awards in fiscal year 2017 would need to be by resolution of Council and must be funded from any balance remaining in this year's operating budget and/or a withdrawal from a reserve. In accordance with Administrative Order 1, unbudgeted expenditures associated with a new program or service must be reviewed by Audit & Finance Standing Committee: the committee then makes a recommendation to Regional Council.

The identified funding source is found in the Financial Implications section of this report, and includes a combination of a portion of the available balance from Community Grants, M311, and Fiscal Services, M310. Staff are recommending that there be \$55,000 expended immediately in 2017-18 with "Accredited" museums each receiving \$4,800; "Pre-Accreditation" museums getting \$2,300 and "Developmental" museums getting \$1,050 (as defined in Attachment 1). In 2018-19 there will be a complete Administrative Order with \$220,000 worth of funding presented.

The staff report to CPED's February 16, 2017, meeting included a proposal from the HRM Interim Community Museum Operating Assistance Program Ad Hoc Committee (the "Community Museum Ad Hoc

¹ Report to February 16, 2017, meeting of the Community Planning and Economic Development Standing Committee, Creation of a Funding Program for Heritage Organizations, dated February 1, 2017.

Committee”), in relation to potential funding. An Administrative Order for an interim funding program for community museums is currently being developed and will return for Council’s consideration in the 2018-19 fiscal year. In recognizing that Council’s second motion might be interpreted that grants to community museums could commence in fiscal year 2017-18, in the absence of a proposed draft Administrative Order, staff have included some options for potential distribution of grant funding and identified associated risks in Attachment 1 of this report.

The four (4) options presented in Attachment 1 of this report pertain only to “interim” or “one-time” funding in this fiscal year, and include the two (2) proposed by the Community Museum Ad Hoc Committee. There is no assumption of eligibility or level of funding under the proposed Administrative Order in future years. Funding would be pro-rated for the four months remaining in 2018-19.

FINANCIAL IMPLICATIONS

The \$55,000 will be made available from M310-8004 in Fiscal Services. To partially offset this cost staff will underspend \$15,000 from the balance remaining in Account M311-8004 Community Grants. The remainder will be absorbed through the overall budget.

Budget Summary: Community Grants Program M311-8004

M311-8004 Community Grants	
Program Budget Fiscal 2017-18	\$ 500,000
Less Community Grants Program Awards	(\$459,000) ¹
Less Downie-Wenjack Fund Donation	(\$ 25,000)
Less Proposed Museum Grants	<u>(\$ 15,000)</u>
Balance	\$1,000²

1. Value of awards includes two (2) capital grants that have not been issued pending confirmation of an ability to proceed in 2017 and may be carried forward to 2018 with Council’s approval by a transfer of funds to be held in Reserve for use in 2018/19. Report to follow if required.
2. A balance of \$1,000 excludes any contingency should community engagement re: *Downie-Wenjack Legacy Space* commence prior to March 31, 2018.

RISK CONSIDERATION

Low. In the absence of an open call for applications the list of potential award recipients might not represent the scope of eligibility under a future Administrative Order.

COMMUNITY ENGAGEMENT

Not applicable.

ALTERNATIVES

1. The Audit & Finance Standing Committee could recommend that Regional Council not allocate funding for 2017-18, and that funding be included in the 2018-19 budget.
2. The Audit & Finance Standing Committee could recommend that Regional Council allocate \$220,000 in funding for 2017-18 from M310-8004 in Fiscal Services.
3. The Audit & Finance Standing Committee could recommend that Regional Council allocate the funding in accordance with Options 2, 3, or 4 as outlined in Attachment 1.

ATTACHMENTS

1. Possible Interim Options: Fiscal Year 2017-18.
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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Peta-Jane Temple, Team Lead Grants & Contributions, Finance & Asset Management Services, 902.490.5469

Possible Interim Options: Fiscal Year 2017-18.

If the Finance & Audit Standing Committee choose one of the funding options presented in Attachment 1 the names of recipient organizations could be listed in the committee's recommendation report to Regional Council for clarification and accountability.

Option 1. Recommended - Varied Allocation

A one-time award of \$4,800, \$2,300, or \$1,050 to nineteen organizations listed in the ad hoc committee's proposal (including those without an allocation identified). Excludes Dartmouth Heritage Museum Society (HRM Service Agreement), Discovery Centre (HRM Contribution Agreement), and a stand-alone organizational archive.

Value of Allocation: The value of award is an based on "accreditation" and scale of operation. Amounts may provide an incentive to adopt standards of museum practice but does not exclude those unable to participate and those who elect not to do so.

- "Accredited" museum \$4,800 (6 awards). The term accreditation refers to completion of the provincial *Museum Evaluation Program*¹ with a minimum score of 50/100.
- "Pre-Accreditation" museum \$2,300 (10 awards). An established community museum not accredited but it is anticipated that some of these organizations will achieve accreditation in 2018. Accreditation is voluntary and some organizations may elect not to participate and remain eligible to apply for municipal funding.
- "Developmental" \$1,050 (3 awards). A small-scale museum or interpretation centre that may require further review to establish that operations meet the definition of a museum and the scale of public access.

Estimated Cost: \$55,000

Number of Allocations: 19

Risk: Reputational risk to the Municipality in the absence of a publicly advertised opportunity to apply.

- (i) The omission of a non-profit community museum from the list submitted by the ad hoc committee – HRM has not publicized this funding opportunity.

¹ The *Museum Evaluation Program* is a rigorous, impartial and consistent evaluation of museum operations and management administered by the Association of Nova Scotia Museums. The goal is to establish standards of practice and improve the visitor experience.

Option 2. Community Museum Ad Hoc Committee “Option A”.

The value of “interim allocation” is based on a percentage of an organization’s prior year’s “operating budget”². Assistance is on a sliding scale from 20% to 10% in increments of \$25,000, \$50,000 or \$100,000. The names of organizations listed have been removed and the budget increments added in Table 1 shown below. Total amounts will be pro-rated down to \$55,000.

Table 1. Community Museum Ad hoc Committee: “Annual operating budget percentage assistance options”		
Option A – 20% declining to 10%		
Annual Operating Budget	Percentage Assistance	Budget Increments
\$0-\$25,000	20%	\$25,000
\$25,000-\$50,000	19%	
\$50,000-\$75,000	18%	
\$75,000-\$100,000	17%	
\$100,000-\$150,000	16%	\$50,000
\$150,000-\$200,000	15%	
\$200,000-\$250,000	14%	
\$250,000-\$300,000	13%	
\$300,000-\$400,000	12%	\$100,000
\$400,000-\$500,00	11%	
\$500,000-\$600,000	10%	

Value of Allocation: Range from \$1,000 to \$57,200.

Estimated Cost \$223,035 (before pro-ration)

Number of Allocations: 14

Risk:

- (i) The omission of a non-profit community museum from the list submitted by the ad hoc committee – was this funding opportunity publicly advertised?
- (ii) Eight (8) organizations named in the list submitted by the ad hoc committee do not have an interim “allocation” identified (grant dollar value) by the ad hoc committee. As this Option is based on the proposal received from the ad hoc committee, selection of this option will result in these organizations not receiving funding for 2017/18.³ This omission could be misconstrued to indicate ineligibility and could also impact the estimated cost of the program.
- (iii) Grant values based on a prior year’s total revenue could exclude the value of any in-kind government assistance.
- (iv) In the absence of a maximum threshold of grant the program could prove cost-prohibitive of the mid to long-term. Award values could be lower under a formal policy and merit-based evaluation process.

² Attachment C of the staff report dated February 1, 2017.

³ This accounts for the difference in the number of allocations between Options 1 & 4 (19 allocations) and Options 2 & 3 (14 allocations), once the Dartmouth Heritage Museum, the Discovery Centre, and the stand-alone archives are removed from all options for the reasons noted in Option 1.

Option 3. Community Museum Ad Hoc Committee “Option B”

The value of interim allocation is based on a percentage of an organization’s prior year’s “operating budget”⁴. Assistance is on a sliding scale from 20% to 5% in assorted increments ranging from \$10,000 to \$100,000. The names of organizations listed have been removed and the budget increments added in Table 2 shown below. Total amounts will be pro-rated down to \$55,000.

Table 2. Community Museum Ad hoc Committee: “Annual operating budget percentage assistance options”		
Option B – 20% declining to 5%		
Annual Operating Budget	Percentage Assistance	Budget Increments
\$0-\$25,000	20%	\$25,000
\$25,000-\$35,000	19%	\$10,000
\$35,000-\$50,000	18%	\$15,000
\$50,000-\$70,000	17%	\$20,000
\$70,000-\$95,000	16%	\$25,000
\$95,000-\$120,000	15%	
\$120,000-\$145,000	14%	
\$145,000-\$170,000	13%	
\$170,000-\$200,000	12%	
\$200,000-\$235,000	11%	\$30,000
\$235,000-\$270,000	10%	\$35,000
\$270,000-\$310,000	9%	\$40,000
\$310,000-\$350,000	8%	
\$350,000-\$430,000	7%	\$80,000
\$430,000-\$530,000	6%	\$100,000
\$530,000 plus	5%	

Value of Allocation: Range from \$1,000 to \$28,600
 Estimated Cost: \$167,885 (before pro-ration)
 Number of Allocations: 14
 Risk: as noted under Option 2, “Option A”

⁴ Attachment C of the staff report dated February 1, 2017.

Option 4. Uniform Allocation

An arbitrary one-time award of \$2,895 to nineteen (19) organizations listed in the ad hoc committee's proposal (including those without an "allocation" identified). Excludes Dartmouth Heritage Museum Society (HRM Service Agreement), Discovery Centre (HRM Contribution Agreement), and a stand-alone organizational archive.

Value of Allocation: \$2,895

Estimated Cost: \$55,000

Number of Allocations: 19

Risk: Reputational risk to the Municipality in the absence of a publicly advertised opportunity to apply.

- (i) The omission of a non-profit community museum from the list submitted by the ad hoc committee – HRM has not publicized this funding opportunity.

Precedence: A uniform allocation was made prior to four (4) non-profit organizations prior to the development of *Administration Order 2014-018-ADM Respecting Grants to Volunteer Search and Rescue Organizations*. However, the four (4) organizations are the only organizations currently recognized under an agreement with HRM Fire/EMO, this category of non-profit is very homogenous, and standards of practice are well established under Fire/EMO, Police, and federal and provincial jurisdictional agencies.