

2015

NSUARB-M07050

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: THE MUNICIPAL GOVERNMENT ACT

- and -

**IN THE MATTER OF: AN APPLICATION by the MUNICIPALITY OF THE COUNTY OF PICTOU
and the TOWNS of NEW GLASGOW, PICTOU and STELLARTON for an
Order for the Amalgamation of the Municipality and the Towns**

**Responses to Information Requests of the Utility and Review Board (IR-1 to IR-28)
Requested by NSUARB Board Staff on February 25, 2016**

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Agent for the Applicants

Request IR-1:

Exhibit P-1, Reference: 9 Protective Services

Under 9.1 Municipal Policing, it is stated: "The Applicants are respectfully requesting the NSUARB order include a five-year transition period from the effective date of the new municipality during which current arrangements can be maintained." There is no similar request under 9.2 respecting the RCMP policing arrangements. It is unclear to the Board whether a similar five-year transition period is being requested with respect to the RCMP policing arrangements. Please confirm what the Applicants are requesting in relation to the RCMP.

Response IR-1:

The Applicants are requesting a similar five-year transition period for RCMP services.

Request IR-2:

Exhibit P-1, Reference: 9.2 RCMP Agreements

It is stated that the MOU contemplates review of the RCMP operational and contractual arrangements with the objective of recommending either a status quo or change in approach. A forthcoming report will be filed with the NSUARB. What is the status of the "forthcoming report" if one is to be filed?

Response IR-2:

The Applicants no longer contemplate filing this report. The Applicants received a letter from the Minister of Justice and Attorney General, the Honourable Diana Whalen, dated March 1, 2016, stating that conditional approval to maintain current day policing arrangements for a new transitional period for up to five years be accepted by the Board. Minister Whalen confirms that the effective date of November 1, 2016 has no impact on conditional approval. In the event that amalgamation is ordered by the Board, the five year transitional period will commence on November 1, 2016. The Minister's March 1, 2016 is being filed as a separate Exhibit with the Board.

Request IR-3:

Reference Exhibit P-9

The Minister of Justice has conditionally approved the proposed policing arrangements for the amalgamated municipality during the transitional five-year period, but provided the effective date occurs between April 1, 2017 - March 31, 2021.

a) The proposed effective date of amalgamation is now November 1, 2016. Does this impact the Minister's conditional approval?

b) The Minister's letter refers in its approval to the transitional arrangements for "municipal policing arrangements". Is this contemplated to include the RCMP policing services for the Municipality and Town of Pictou?

Response IR-3:

a) Pursuant to the Minister's letter, the transitional period will not be impacted by the effective date of November 1, 2016.

b) "Municipal policing arrangements" is contemplated to include the RCMP policing services for the Municipality and the Town of Pictou.

Request IR-4:

Reference Exhibit P-29 (Final Report)

Please confirm who prepared the Report for the Applicants.

Response IR-4:

Scott Conrod, CPA, CMA either directly prepared Exhibit P-29 or had portions of the report prepared under his instruction. Grant Thornton LLP was engaged to map the individual chart of accounts for each of the Applicants to the provincially prescribed Financial Information Return format and to assemble and link to relevant inflationary factors applicable to each Applicant's Operating Fund. Scott Conrod and Town of Pictou staff established capital fund and reserve fund schedules and assembled existing information related to tangible capital assets, long-term debt and reserves provided by the Applicants. The senior financial managers for each of the Applicants reviewed and confirmed the data and reasonableness of the assumptions assembled within the Status Quo financial projections. Scott Conrod and Town of Pictou staff assembled information (projected outcomes) related to select financial ratios (use of the Provincial Financial Condition Index measurements). Heather Murphy, CPA, CA, a partner in MacDonald & Murphy Inc., Chartered Accountants – the registered Municipal Auditing firm having completed prior year audits in the Towns of Stellarton and New Glasgow and the Municipality of the County of Pictou – was engaged to aggregate the Status Quo models into projected financial statements for the New Municipality. Additionally, Ms. Murphy worked collaboratively with Scott Conrod to incorporate changes to long-term debt, reserves and tangible capital assets specific to the New Municipality.

Request IR-5:

Was any independent review of the Final Report conducted by external accountants? If so, by whom? If not, why not?

Response IR-5:

Kevin MacDonald, CPA, CA, a partner in MacDonald & Murphy Inc., Chartered Accountants, was engaged to review the Status Quo and New Municipality projections. There was no specific assurance engagement nor was any report issued by Mr. MacDonald.

Request IR-6:

If the Report was prepared solely by Scott Conrod, Chief Administrative Officer for the Town of Pictou, what was the source of the data from the Applicant municipal units other than the Town of Pictou?

Response IR-6:

Each of the Applicants provided: copies of their March 31, 2015 audited financial statements; March 31, 2015 Financial Information Return filed with the Provincial Department of Municipal Affairs; March 31, 2016 Statement of Estimates filed with the Provincial Department of Municipal Affairs; 2015/2016 to 2019/2020 Capital Investment Plans filed with the Canada-Nova Scotia Infrastructure Secretariat; and copies of tangible capital asset, reserve and long-term debt schedules and working papers.

Request IR-7:

- a) Was a formal independent Infrastructure Study prepared as the basis for the infrastructure assumptions in the Final Report?
- b) If so, please provide a copy(s) and describe who prepared the Study(s).
- c) If no formal Infrastructure Study was prepared, why not?
- d) If the answer to question a) is no, what formed the basis for the infrastructure assumptions?

Response IR-7:

- a) **The infrastructure review was undertaken by engineering staff employed and contracted by the Applicants.**

- b) Their report appears as Section 9 (Appendix 1 Capital Project Detail) of the February 5, 2016 Applicant submission (Exhibit P-29).
- c) The infrastructure review was compiled by municipally employed and contracted engineers (four professional engineers – three civil and one chemical), in addition to a senior manager employed by the Town of Pictou who has extensive background in groundwater potable water supply, treatment and distribution systems (see IR-11). These senior municipal staff were supported by an in-house certified engineering technologist and a geographic information system specialist. The Applicants believed that with the level of in-house expertise and knowledge of the Applicants' infrastructure, that the most efficient and effective approach would be realized through internal resources given the tight timeframes associated with undertaking the review. As noted below, many components of the Applicants' infrastructure have been the subject of independent engineering and construction reports.
- d) The basis for the infrastructure assumptions included:
 - a. The 2015/2016 to 2019/2020 Capital Investment Plans of the Applicants;
 - b. A variety of externally commissioned design/construction reports, e.g., larger wastewater system installations including: the McLellans Brook project; Town of Pictou water treatment predesign report; Road realignment projects currently at the tender stage;
 - c. The reliance on a number of similar projects recently undertaken by the Applicants, e.g. a 2014/15 Town-wide water meter and installation contract by the Town of Pictou and Street light installation and maintenance tenders undertaken by the Town of New Glasgow and currently in the installation phase within the Town of Pictou and Municipality of the County of Pictou; and
 - d. Assumptions developed through desktop reviews based on extensive information compiled within the geographic information system, e.g. the invert measurements (grades) and linear measurements used to calculate the Town of Stellarton stormwater inflow and infiltration project, and sidewalk projects.

Request IR-8:

- a) Was a formal independent Roads and Streets Study prepared as a basis for these assumptions in the Final Report?
- b) If so, please provide a copy(s) and describe who prepared the Study(s).

c) If no Roads and Streets Study was prepared, why not?

d) If the answer to question a) is no, what formed the basis for the roads and streets assumptions?

Response IR-8:

a), b), and c)

Similar to the response to IR-7, the Applicants felt that given the level of in-house expertise, knowledge of the roads and streets and availability of data, the more efficient and effective route was to employ internal resources.

Additionally, the Nova Scotia Department of Transportation and Infrastructure Renewal advised that due to their internal resources and commitments they were no longer in a position to use provincial equipment to rate the condition of municipally-owned and maintained roads.

d) Engineers and senior managers employed and contracted by the Applicants agreed to a rating program comprising a score of 1 (high) to 10 (low). Each kilometer of municipally-owned road was then reviewed/rated. The resulting scores were entered into the geographic information system software which produced a linear measurement of each rating category. The engineers set a threshold score of 30. Segments of the roads and streets scoring in excess of 30 were included in a five-year plan. The rating system produced 75km of roads requiring capital upgrades. The per kilometer cost was estimated through the use of internal costing sheets (per unit measurements) compiled and maintained by the Towns through previous tenders. The cost per kilometer was compared and is understood to be similar to the unit based cost utilized by Nova Scotia Transportation and Infrastructure Renewal personnel.

Request IR-9:

What was the basis for the commitment of funds from the Province in the Letter of Intent (Exhibit P-28) for the infrastructure, water treatment and roads/streets?

Response IR-9:

Infrastructure funding in the Letter of Intent was determined on the basis of which projects, as identified in the Capital Investment Plans of the Applicants, were both critical in nature and incremental to transition. The intention behind the provincial commitment is to position the new municipality for success which includes addressing critical infrastructure deficits using Provincial funds

so as not to unduly burden the property ratepayers of one participating municipality with the obligations associated with another.

Funding for water treatment was based on the same logic as other infrastructure funding. Water treatment was identified as being a priority for the Applicants and through negotiations with the Province it was agreed that upon completion of a water utility study, funds would be dedicated to improving water infrastructure. Ultimately, subject to the findings of the water utility study, it is anticipated that the participating units will be able to realize benefits of amalgamating their water utilities. However, for this to be feasible, investments in the Town of Pictou were identified as critical to ensure that all applicants would be similarly positioned before merging.

Funding for roads is based on a formula determined by Transportation and Infrastructure Renewal (TIR). In recent years, TIR has evaluated the street networks of eight towns (Hantsport, Bridgetown, Springhill, Amherst, Shelburne, Canso, Mulgrave, and Parrsboro) across Nova Scotia. TIR staff assessed the severity and density of the various pavement surface distresses for each street, and this information has allowed them to develop a multi-year pavement management plan for each street, as well as an associated cost projection. These pavement management plans are based on best practices and they treat local roads separately from Collector roads. Collectors are generally considered to be the extensions of Provincial Trunk Roads and Numbered Routes that continue through a town. All other roads are considered to be local roads. Based on this work, TIR has recommended that the Province move to a formula based program for funding roads infrastructure. The formula uses the estimated average per-kilometer costs for the eight towns surveyed as the basis for all municipalities undergoing dissolution or amalgamation going forward.

According to TIR's projections, the average cost of a 10-year pavement management plan should be \$16,000/km/year for collector roads, and \$10,000/km/year for local roads. These values include the full cost of the pavement management plan, and as such, should be reduced by half to approximate a 50% cost share arrangement between the Province and the new municipality. This results in an approximate cost of \$8,000/km/year for Arterial/Collector roads and \$5,000/km/year for local roads. Further, as per the previous dissolutions, the Province has committed to paying this rate for 5 years, as the new amalgamated municipality adjusts to its new structure.

Request IR-10:

Exhibit P-29, Reference: Executive Summary, p. i

- a) What do the proposed Investments of \$69.2 million for core municipal infrastructure compare to under the status quo?
- b) Please confirm whether the funds included in the Letter of Intent are included in the \$69.2 million.

Responses IR-10:

- a) The following compares status quo to the New Municipality in terms of capital investments (water investments have not been included).**

	Total	1 2015/16	2 2016/17	3 2017/18	4 2018/19	5 2019/20
New Municipality	\$ 58,764,218	\$ 16,062,755	\$ 19,481,093	\$ 10,250,790	\$ 6,662,290	\$ 6,307,290
Municipality of the County of Pictou	11,324,108	3,444,108	3,610,000	3,610,000	480,000	180,000
Town of New Glasgow	6,476,900	2,196,900	955,000	1,195,000	1,040,000	1,090,000
Town of Pictou	7,055,749	1,408,298	4,577,451	320,000	305,000	445,000
Town of Stellarton	7,466,115	1,535,003	2,058,959	1,138,653	998,500	1,735,000
	32,322,872	8,584,309	11,201,410	6,263,653	2,823,500	3,450,000
Additional investment - New Municipality	\$ 26,441,346	\$ 7,478,446	\$ 8,279,683	\$ 3,987,137	\$ 3,838,790	\$ 2,857,290

- b) Funds from the Letter of Intent have been included in the \$62.9 million. \$9.6 million of the \$27.6 million Letter of Intent funds were included within the General Capital Fund projections, while \$3.5 million have been included within the Water Capital Fund.**

Request IR-11:

Exhibit P-29, Reference: 1.0 Introduction, p. 1, 2nd paragraph

- a) It is indicated that the report ties together previously filed exhibits and “study work” of the applicants within pro-forma financial statements. To the extent that the “study work” has not been previously filed in evidence, please provide a list of the studies or reports which are referenced by this term?
- b) Please specifically identify the assumptions employed for the financial projections.

Response IR-11:

a) Major capital cost items where study work has not been previously filed include:

	<i>Related to</i>	<i>Source</i>	<i>Filed Exhibits</i>
WATER UTILITY CAPITAL			
Meter supply and install	Stellarton and MCP	Based on 2014/15 per unit contract undertaken by Town of Pictou	No
Water treatment and zoning	Pictou	CBCL Pre-design report (2010-updated) and internal review	Yes (private)
LAND			
Aberdeen Hospital	New Municipality	Commercial appraiser (Exec. Summary)	Yes (private)
BUILDINGS			
Public works, salt and bulk storage, Office renovations	New Municipality	Rough Order of Magnitude estimate generated by Earl MacKenzie, P. Eng (structural) Public Works facility uses a previous Pre-design report completed by SNC-Lavalin	Yes
Information Technology	New Municipality	Derek Eisan, Director of IT Town of New Glasgow	Yes
STREETS, SIDEWALKS AND STREET LIGHTS			
Park Street Extension	New Municipality (New Glasgow)	Pre-design review generated by Earl MacKenzie, P. Eng (structural)	Yes (private)
Road Realignment	New Municipality (Pictou)	CBCL design – 2015	Yes (private)
Paving	Applicants	Internal rating review	IR-15
Traffic & Pedestrian Safety	New Municipality (cross walk signals)	Estimate generated by Earl MacKenzie, P. Eng (structural)	No
Sidewalks and Curbing	Applicants	A rating was developed and used similar paving. The programs considers among others Active Transportation, pedestrian safety, linkages and sustainability.	No
Street Light conversions	Pictou and MCP	Tendered price - December 2015	No
STORM WATER			
Piping Catch basin and Trunk lines	Applicants	Pre-existing budgets	No
SANITARY SEWER			
Pump Stations, Force mains and gravity lines	Applicants	Combination of pre-existing budget and lines prioritized among the Applicants (focusing Inflow and Infiltration reduction and pipe condition)	No
Stellarton Inflow and Infiltration	Stellarton	Condition report and estimate generated by Bob Funke, P. Eng (Civil)	Yes
McLellans Brook, Abercrombie and Springfield Estates installations	MCP	Consulting engineering report generated CBCL (2012) and Internal reviews and estimates	Yes (private)
FLEET			
Broken down by heavy equipment, ancillary equipment and light vehicles	Applicants	Based on useful life of assets and increased sharing of heavy equipment	No
RECREATION AND CULTURE			
Regional Library	New Municipality (Pictou)	Based on square footage estimate generated by Design Consultant and Chief Librarian	Yes

*Note – the word “private” in the table above references documents over which confidentiality has been requested.

b) Assumptions employed within the status quo financial projections have been listed within the “General Assumptions” and “Tax” tabs of Exhibits P-16, P-17, P-18 and P-19. Assumptions employed within the *Pro forma* Financial Statements for the New Municipality have been listed within the “General Assumptions” tab and a tab labeled “Supplemental to Schedule F, G, H” of Exhibits P-32.

Request IR-12:

Exhibit P-29, Reference: 2.0 Background, p. 1

Please provide copies of the following documents referenced in this section:

- a) Supplemental costing prepared by internal staff.
- b) Existing status quo five-year investment budgets filed by the Applicants with the Province.
- c) Projected internal engineering reviews prioritizing and costing investment requirements for five-years out.
- d) The 2014/15 audited financial statements for each of the Applicants. (Each of the status quo projections filed state that the 2014/15 actual results were included on a comparative basis for each municipal unit).
- e) The actual figures to date for the 2015/16 fiscal year for each of the Applicants. (Each of the status quo projections filed state that the 2015/16 budgets were used as the first year of the projections).

Response IR-12:

- a) Supplemental costing pertaining to governance costs was prepared on instruction of the Memorandum of Understanding Steering Committee as follows:**

	Current	Grant Thornton		MOU Committee		
	Expenses	Recommendations	Note	Recommendation	Note	Variance
REMUNERATION	\$ 585,315	\$ 352,350	1	\$ 303,750	4	\$ 48,600
BENEFITS	61,136	88,134	2	23,736	5	64,398
ENTITLEMENTS	46,571	144,760	3	144,760		-
TOTAL	\$ 693,022	\$ 585,244		\$ 472,246		\$ 112,998
Savings relative to current expenses	-	(107,778)		(220,776)		N/A
Note 1						
Mayor \$58,000, Councillor \$29,000 (50%), Deputy Mayor \$33,250 (115% of a councillor)						
Note 2						
Mandatory Employment Costs (Canada Pension Plan, Employment Insurance)						
Participation in Group Health and Dental (25 percent member contribution)						
RRSP Plan @ 7 percent, matched by Council Member						
Note 3						
All Council members have access to Ipad						
Participation by all members at UNSM Conference, Members may attend 3 other conferences. Mayor may attend 5 conferences including the annual Federation of Canadian Municipalities Conference with 5 members of Council						
Note 4						
Mayor \$50,000, Councillor \$25,000 (50%), Deputy Mayor \$28,250 (115% of a councillor)						
Note 5						
Mandatory Employment Costs (Canada Pension Plan, Employment Insurance)						

- b) The Capital Investment Plans of each of the Applicants are being filed as separate Exhibits.**
- c) Projected internal engineering reviews prioritizing and costing investment requirements for five-years out (see table listed in the response to IR-11).**
- d) The 2014/15 audited financial statements for each of the Applicants are being filed as separate Exhibits.**
- e) Year to date variance reports for each Applicant's operating fund are being filed as separate Exhibits.**

Request IR-13:

Exhibit P-29, Reference: 3.0 Capital Investment Planning, p. 2, 1st paragraph

At the top of the page it is indicated that the projected costs of Capital Investment Planning for the new municipality have been assembled collaboratively by the municipal engineers employed by each of the Applicants, who had access to current engineering reports.

- a) Please provide a copy of the current engineering reports referenced in this paragraph, or alternatively, please indicate where they have been previously filed in the evidence.
- b) Please describe the process whereby the Capital Investment Planning has been prioritized and costed by the municipal engineers.
- c) To the extent that there was no consultation amongst the municipal engineers, please indicate whether there was any peer review by the engineers of their work respecting projects within their respective municipal units.

Response IR-13:

- a) See table listed in the response to IR-11.
- b) With respect to costing, see table listed in the response to IR-11. The priorities were identified within each of the Applicant's five-year Capital Investment Plans previously filed with the Nova Scotia Department of Municipal Affairs.
- c) The municipal engineers operated in a committee format. They developed a templated approach to the collection of information and rating systems (based on asset management principles).

Request IR-14:

Exhibit P-29, Reference: Capital Investment Planning

- a) Please indicate whether the National and Regional funding referred to in footnote 2 on page 6 will still be received in addition to the Letter of Intent funding for the water utilities.
- b) Please indicate whether the National and Regional LOI money referenced in footnote 2 which has been identified for the Town of Pictou, Town of Stellarton and the Municipality water utilities, relate to the specified water treatment funding, or some other amount? Please explain.

Response IR-14:

- a) The Town of New Glasgow has received confirmation that the federal government has approved National Regional Project funding. The Town of Pictou is awaiting confirmation from the federal government.

b) Letter of Intent funding related to the Water Capital Funds totals \$3.4 million (see table 2 p. 7 Exhibit P-29). The Letter of Intent funding will be used with National and Regional Project funding to finance related Town of Pictou water utility upgrades.

Request IR-15:

Exhibit P-29, Reference: 3.0 Capital Investment Planning, p. 2, 1st and 2nd paragraphs

It is indicated that an analysis of municipal roads was generated by the municipal engineers following a standardized rating system.

- a) Is the standardized rating system similar to the rating system followed by the Department of Transportation and Infrastructure Renewal?
- b) Please provide a copy of any analysis prepared by the municipal engineers for their respective municipal units or the proposed municipality.
- c) To the extent that there was no consultation amongst the municipal engineers, please indicate whether there was any peer review by the engineers of their individual work respecting projects within their respective municipal units.

Response IR-15:

a) The Applicants understand that the rating system utilized by the Nova Scotia Department of Transportation and Infrastructure Renewal utilizes automated sensing equipment. The Applicants employed visual inspection of every municipally owned street and road within their jurisdiction completed field sheets that rated condition by: longitudinal, transverse and alligator cracking; excessive patching; ride quality; rutting; ravelling; drainage/crown; potholes; and edge failure. This information was entered into a geographic information system.

b) Copy of analysis.

SUMMARY TABLE OF MUNICIPAL ROAD RATING								
MUNICIPAL AMALGAMATION OF THE MUNICIPALITY OF THE COUNTY OF PICTOU AND THE TOWNS OF NEW GLASGOW, PICTOU AND STELLARTON								
November 2, 2015								
	Arterial		Above 30 Rating - 50% Funding or \$220,000/KM				Total	
	Art. KM	\$9,000/KM	> 30 Rating	Town KM	>30 KM %	\$220,000/KM	Funding	
County		-	2.7	2.7	100.0%	\$ 594,000	\$ 594,000	
New Glasgow	22.1	198,900	23.2	84.5	27.5%	5,104,000	5,302,900	
Stellarton	8.8	79,200	10.5	44.4	23.7%	2,310,450	2,389,650	
Pictou	7.9	71,100	38.4	40.4	95.0%	8,448,000	8,519,100	
Total	38.8	349,200	75	172	43.5%	\$ 16,456,450	\$ 16,805,650	

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c) **Peer Review**

The municipal engineers operated within a committee format. Templates were developed for the consistent collection of data among all of the municipal units. Each engineer was responsible for the collection of data for their respective jurisdiction. The same engineers were, however, also assigned subject areas, i.e. one was charged with piped infrastructure, another street conditions, and yet another buildings.

Request IR-16:

Exhibit P-29, Reference: 3.0 Capital Investment Planning, p. 2, 2nd paragraph

It is indicated the pro-forma statements for the new municipality include investment in the amount of \$58.7 million over the five-year test period (not including water utility investment). Please reconcile this amount with the amount of \$69.2 million referenced in the Executive Summary on page i.

Response IR-16:

Water investments total \$10.45 million and Municipal Investments of \$58.76 million for a total investment of \$69.21 million.

Request IR-17:

Exhibit P-29, Reference: 4.0 Letter of Intent, page 7, footnote 4

Please advise whether any LOI funding will be released in the fiscal year ending March 31, 2017.

Response IR-17:

\$2,5742,240 is scheduled to be released in the fiscal year ending March 31, 2017. This amount comprises \$2,373,240 in equalization and \$200,000 in pre-transition funding.

Request IR-18:

Exhibit P-29, Reference: 5.0 Commercial Assessment, p. 10

Please provide the growth estimates assumptions used in both the pro-forma status quo and amalgamated financial models. If the assumptions differ, please explain why.

Response IR-18:

The growth assumptions in the status quo and New Municipality projections are the same. Page 10 of Exhibit P-29 includes information provided after the submission of the Applicants' projections.

Request IR-19:

Exhibit P-29, Reference: 6.5 Transitional Human Resources Matters, p. 15

It is indicated that the Applicants are hereby requesting the NSUARB's consideration of the above severance-related points within its Order for Amalgamation. Please specifically set out the directions being sought.

Response IR-19:

The Applicants withdraw the request for direction from the Board as set out on page 15 of Exhibit P-29. The Applicants will attempt to resolve these issues without an Order from the Board but ask that the Board reserve its jurisdiction to issue such further orders and directions that are necessary and incidental to the amalgamation.

Request IR-20:

Exhibit P-29, For year "1" please reconcile the long-term debt increase as stated on page 30, the debenture and term loan principal installment on Schedule E, to the change in total debt liability as indicated on Schedule I. There appears to be a difference of \$800,000.

Response IR-20:

The \$800,000 amount relates to the elimination of an internal loan specific to the Municipality of the County of Pictou. The elimination is booked at \$200,000 per year as shown on Schedules F,G,H under Transfers to Operating Reserve (within the Transfers from (to) own reserves, funds and agencies section).

Request IR-21:

Exhibit P-29, On Schedule I, what does the item "inventory held for resale" refer to?

Response IR-21:

Inventory held for resale on Schedule I relates to lots available for sale within the Albion Business Park (Town of Stellarton).

Request IR-22:

Exhibit P-29, Please reconcile how the total estimated capital financing as outlined in page 30 (excluding long-term debt and other external sources) ties into the revenue as indicated on Schedule JP-1.

Response IR-22:

Description	Estimated Financing per Year					
	Total	1	2	3	4	5
Gas tax	\$ 11,083,670	\$ 2,302,872	\$ 2,208,950	\$ 2,068,950	\$ 2,098,950	\$ 2,403,950
Reserves	7,168,325	2,212,756	2,065,562	1,395,927	783,146	710,934
Long-term debt	13,986,952	5,573,808	4,840,924	1,434,873	971,673	1,165,673
Operations	2,008,924	459,774	431,150	356,000	406,000	356,000
MOU Units	34,247,871	10,549,209	9,546,586	5,255,750	4,259,769	4,636,557
Building Canada Fund (BCF)	16,616,833	3,413,333	5,323,333	4,146,667	2,420,167	1,313,333
Letter of Intent - Water Projects	3,483,333	1,113,333	1,103,333	498,333	498,333	270,000
Letter of Intent - Roads	5,144,000	1,894,299	2,220,440	947,640	81,621	-
Letter of Intent - Municipal Capital	4,487,000	897,400	897,400	897,400	897,400	897,400
Other external sources	5,235,180	1,535,180	3,700,000	-	-	-
Total	18,349,513	5,440,212	7,921,174	2,343,373	1,477,354	1,167,400
Financing - Total	\$ 69,214,218	\$ 19,402,755	\$ 22,791,093	\$ 11,745,790	\$ 8,157,290	\$ 7,117,290
LOI Water projects	(3,483,333)	(1,113,333)	(1,103,333)	(498,333)	(498,333)	(270,000)
Building Canada Fund water projects	(6,966,668)	(2,226,667)	(2,206,667)	(996,667)	(996,667)	(540,000)
	(10,450,000)	(3,340,000)	(3,310,000)	(1,495,000)	(1,495,000)	(810,000)
	\$ 58,764,218	\$ 16,062,755	\$ 19,481,093	\$ 10,250,790	\$ 6,662,290	\$ 6,307,290

Request IR-23:

Exhibit P-29, Supplemental to Schedules F, G, H, notes 6, 7, 8, 9, and 10.

These notes identify future savings that will be realized upon amalgamation. Please explain, for each note, why these savings will be realized with amalgamation and may not be realized by the individual municipalities by making a change in policy or a decision of council. In other words, are these true savings of amalgamation or just savings that can be created now by decisions of respective councils?

Response IR-23:**Note 6. County Reserve Allocation**

This onetime adjustment could be made by the current-day Municipality. This however is not the current-day accounting policy of the Municipality. A harmonization of accounting policies would follow with amalgamation.

Note 7. Reduction in the Wellness Centre Deficit

This onetime adjustment could be made by the current-day municipalities (the Applicants together with the Town of Trenton own the Wellness Centre). It has been assumed that through a change in municipal governance, efficiencies will be identified and implemented in a quicker timeframe relative to the current situation.

Note 8. Interfund Debt Elimination

This onetime adjustment related to the elimination of an internal loan of the Municipality of the County of Pictou. This adjustment could, but is unlikely to be made by the current-day Municipality.

Note 9. Capital Reserve Funding

This transfer relates to the creation of an equipment reserve. It is unlikely the current-day municipalities would be able to accommodate a transfer to the degree suggested for the New Municipality. It has been assumed that the New Municipality will realize efficiencies through the consolidation of heavy equipment requirements. Additionally, the New Municipality will be in receipt of operating funding related to local roads creating new efficiencies. Funding saved from these efficiencies could in part be used to fund an equipment reserve.

Note 10. Capital out of Revenue

The New Municipality has a favourable debt ratio thereby allowing for additional financing to be raised through the sale of debentures which lowers the financing requirements in certain years from operations (capital out of revenue).

Request IR-24:

Reference: 7.1 Operating Fund Projections, page 16, 1st paragraph

Please confirm whether there will be any changes in area rates for fire and police protection before the anticipated harmonization.

Response IR-24:

There are no projected changes with the exception of disclosed inflationary factors.

Request IR-25:

Please confirm there are no incorporated villages within the boundaries of Pictou County.

Response IR-25:

There are no incorporated villages within the boundaries of Pictou County.

Request IR-26:

Please specifically identify what is anticipated will be covered by area rates.

Response IR-26:

It is anticipated that area rates will be used relative to police, fire, pre-existing long term debt, hydrant rental, street lights, and sewer.

Request IR-27:

Please advise if it is planned to have municipal services centres in any or all of the former municipal units.

Response IR-27:

It has been assumed that the municipal building currently owned by the Municipality of the County of Pictou, and located within the Town of Pictou, will be used to house the majority of staff and legislative functions of the New Municipality.

There will be accommodation requirements for other staff including the continuation of the Stellarton Police Force and IT support. These requirements will present opportunities for the New Municipal Council to consider relative to service centres.

Request IR-28:

Please file the non-consolidated financial statements for the 2014/15 fiscal year for each of the Town of Stellarton Water Utility and the Town of Pictou Water Utility.

Response IR-28:

These statements are being filed as separate Exhibits.

