

RECC: Colchester/Truro on hook for \$1.629-Million loan

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To get precise data from the county and town, CAO's Dan Troke, Colchester and Mike Dolter, Truro were in meetings and unavailable for comment when this story was being written. The next day both returned calls. Troke and Dolter are non-voting members to the volunteer RECC society board.

Entire transcripts of Troke's information memo to Colchester council and copy of the Volunteer Board's letter to CAO's Troke and Dolter are printed adjacent to this article. The information memo stated in 2024 a CRA auditor determined the RECC facility was not eligible for the funding. The society has appealed the decision, but it will take some time. Meanwhile CRA is applying interest to the outstanding amount.

The loan request will be on the agenda at the monthly meeting on Thursday, January 30th starting at 6:00 pm.

In addition, the Shoreline Journal spoke to Scott Fraser, Colchester's Director Community Services to get accurate financial data. Fraser confirmed the balance of the RECC Capital Reserve Fund, as of March 31, 2024, the balance was \$909,000. He indicated if the loan request was approved by council at its monthly meeting on January 30th, in all probability, the capital reserve would not be used for the loan proceeds.

From an accounting perspective, he felt it would be appropriate to get the approximately \$850,000 (Colchester's 50% of loan request) from the county's Special Reserve Fund (SRF), which has a balance of \$9.1-Million and is more appropriate for this type of circumstance. The SRF exists for the municipality to handle unbudgeted expenses and emergencies.

Fraser confirmed the loan request was not a surprise, because the RECC's audited statements (year ending March 31, 2024) had recognized the obligation. In a later conversation with Truro's CAO Mike Dolter, it was learned Truro has both reserve accounts, but Truro's balances are not as large as Colchester's.

In the conversation with Dolter, he said the loan request will be on the agenda for monthly meeting of the Committee of the Whole (COW) later this month and then to full council public meeting on Monday, February 3rd at 1:00 pm. He also confirmed it is his understanding from the society's letter the CRA claimed repayment, accumulated interest and unbudgeted legal and accounting expenses totalled \$1,629,846.

In terms of refund, \$183K in HST refunds have been withheld by CRA and have been applied to the account. If Colchester and Truro approve the loan request of \$1,629,846, by clearing the debt, it will put the RECC board in a position to receive back and additional HST returns and also apply for other capital or event grants when major events are being sourced.

The volunteer society board's letter to the CAO's stated 1.29-Million in wage subsidy during CoVid19 pandemic was received, but with interest has grown to \$1,629,846 with accumulated interest. Furthermore approximate \$183K in society paid HST has been applied to the outstanding balance causing further financial hardship for the RECC.

In addition, unbudgeted expenses of \$48,000 has accumulated due to additional legal and auditor fees relative to the filed notice of objections.

The Society, under the direction of a Tax Lawyer remains confident that the notice of objection will be successful, but it will take several months. Basically the loan request to Colchester and Truro for \$1.629-M loan will pay the debt to CRA, stop additional interest charges and put the RECC society in a position to apply for capital repair grants, if needed, and for major special event grants if events are in the offing. In the loan request, the society has suggested an interest rate of 1.5% be applied to the loan if approved by Colchester and Truro.

See CAO's memo to Colchester Council below

CAO Troke Circulates Memo on RECC Loan Request

By Maurice Rees

At its January 16, 2025 Council Committee meeting the following information item from CAO, Dan Troke was circulated to council members and was also included in the media package circulated to members of the press. The information item detailed the Central Nova Scotia Civic Centre Society - Loan Request of \$1,629,846 to repay approximately \$1.29-Million, plus accumulated interest for Canada Emergency Wage Subsidy (CEWS) funding from the Federal Government issued during Covid pandemic.

In 2024 Canada Revenue Agency (CRA) reviewed this application and made the determination the Society was not eligible due to the relationship with the municipal units. The denial decision has been appealed. In addition to the \$1.29-Million grant and accumulated interest, the RECC has incurred unbudgeted ex-

penses of \$48,000 due to additional legal and auditor fees relative to the filed notice of objections bringing the loan request to \$1,629,846.

The purpose of Troke's January 16th information item was to provide background information regarding the Central Nova Scotia Civic Centre Society request which will be brought forward for consideration at January Council. Text of the information item follows:

SUMMARY/BACKGROUND

- The Municipality of Colchester and the Town of Truro own the Rath Eastlink Community Centre (RECC).
- The Municipality of Colchester, Town of Truro and the Central Nova Scotia Civic Centre Society (the Society) have an operating agreement whereby the Society operates the day-to-day activity of the RECC. A Board of Directors oversees the activity of the Society.

- During the Covid pandemic multiple programs were offered by the Federal Government to support organizations based on various criteria. One such program, the Canada Emergency Wage Subsidy (CEWS), was applied for and the Society received \$1.29M in support.
- In 2024 Canada Revenue Agency (CRA) reviewed this application and made the determination the Society was not eligible due to the relationship with the municipal units.
- The Society has appealed this decision however, the final decision of this appeal will take some time. CRA is applying interest to the outstanding amount.
- As such, the Society is asking the Municipality of Colchester and the Town of Truro to consider a loan to repay the outstanding amount thus halting the inter-

est accumulating against the balance.

- At the January meeting of Council, further information will be brought forward for Council consideration.
- Under the Public Sector Account Board (PSAB) accounting standards, a loan from the Municipality may be treated as a grant in certain cases and expensed by the Municipality. If it is treated as a grant, it should not impact our operating fund as the source of funds would be the Special Operating Reserve and would offset the expenditure.

Attached to Dan Troke, CAO information item to council was the January 6, 2025, letter from the Chair of the Society to the CAOs of the County and Town. (The letter is printed adjacent to this Information item)

See RECC society's letter to Colchester / Truro CAO's

RECC Volunteer Board Letter to CAO's

The following is the entire text of the January 6 letter from Melanie Lane, Volunteer Board Chair, Central Nova Scotia Civic Centre Society to Dan Troke, CAO, Municipality of County of Colchester and Mike Dolter, CAO, Town of Truro.

January 6th, 2025
 RE: CRA Matter/Canada's Emergency Wage Subsidy Eligibility
 Good afternoon Dan Troke and Mike Dolter,

Based upon the CRA's interpretation of the Central Nova Scotia Civic Centre Society's founding financial model and the suggestive statements the CRA has noted within the Operating Agreement, MOU and municipal audited statements implying that the society falls under municipal control, the following financial strategy is recommended in order for our community led society to sustain its current operations and continue with the filed Notice of Objection through the direction of a qualified tax lawyer experienced in these matters.

Approximately, \$1.29m in wage subsidy was received by the society during the eligibility period, with the accumulating interest, the total balance of the debt owing is \$1,629,846.

To date, approximately \$183k in society paid HST was been withheld and applied to the balance of the debt, causing further financial hardship for the non-profit society.

In addition, unbudgeted expenses of \$48,000 has accumulated due to additional legal and auditor fees relative to the filed notice of objections.

The Society, under the direction of a Tax Lawyer remains confident that the notice of objection will be successful. However, this process may result in several months before a decision is made, leading to more accumulative interest to the balance of the debt. Additionally, although an abeyance policy is expected more HST returns may be withheld and new federal grant funds may also be applied directly to the debt causing further financial hardship for the society, thus limiting the important programs, events and services the organization provides our region and local residents.

The society recommends that the Municipality of Colchester and Town of Truro jointly issue a \$1,629,846 loan (with 1.5% interest added) from their accumulated reserves to the society in order for the society to pay the balance of the debit owing to stop the accumulation of interest while the notice of objection process continues.

Upon the conclusion of the society's eligibility claim:
 If the society is successful and determined to be an independent non-profit organization that is not controlled by the Municipalities (rightfully eligible for CEWS): the full balance of the loan will be repaid to the Municipal partners, minus the legal and auditor expenses incurred and interest incurred by the society while defending the municipal developed MOU/Operating Agreements and factual governing process as outlined in the submitted notice of objection.
 If the society is unsuccessful: the Society is indeed operating under Municipal control according to CRA and was not eligible to have received CEWS funds. Therefore, the Society could have been included in or applied for funds through programs such as the "Covid Safe Restart Funding Program" eligible to Municipal governments. As such, and according to CRA the local government will be responsible for the deficit and repayment of the Canadian Employment Wage Subsidy, accumulated interest and legal/auditor fees, as the society is under municipal control.

Based upon the 2020-21 correspondence that the Society received from the Municipality of Colchester and Town of Truro relative to the original support and development of the position necessary to determine the society's eligibility for the original CEWS application. And based upon the continued correspondence received from the Municipality and Town in 2024 relative to their joint affirmations that the society "does not operate under municipal control", "is not an agent of either municipality", and "operates independently", we are confident that our local government will agree with this financial strategy and legal approach to further defend our rightful position against the shortsighted review of the CRA auditor.

Our Board is hopeful that both Municipal partners will review this request promptly and report back to the society with a unified go forward response.
 Respectfully submitted,
 Melani Lane, Volunteer Board Chair


Update on Impacts of PowerSchool Cybersecurity Breach

Nova Scotia's investigation into the impacts of the global PowerSchool cybersecurity breach confirms that some social insurance numbers were included in stolen data. The social insurance numbers of about 250 employees of the Cape Breton-Victoria Regional Centre for Education were compromised during the breach of the third-party student information system. Social insurance numbers have not been collected in PowerSchool since 2010, so affected staff either worked there before 2010 or, if still employed with the centre, began working there before 2010. No students, parents or staff who started after 2010 have social

insurance information in PowerSchool.

Teachers and other staff who worked for the regional centre before 2010 should monitor their bank accounts for any irregular activity. Those whose social insurance numbers were included in the breach will be contacted directly by the Province with more information and an offer of credit protection.

PowerSchool says the breach is contained. After it learned of the breach, Nova Scotia brought in third-party cybersecurity firm IBM XForce to assist with the investigation and confirm the impacts to Nova Scotians.



Council Meeting
 Thursday, January 30 @ 6pm

Presentations Meeting
 Tuesday, February 4 @ 6pm

Council Committee Meeting
 Thursday, February 13 @ 6pm

Council Meeting
 Thursday, February 27 @ 6pm


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