

# Village of Lougheed Municipal Inspection

Inspection Conducted on Behalf of:  
The Honorable Danielle Larivee,  
Minister of Municipal Affairs



Municipal Inspection Conducted By:  
Transitional Solutions Inc.

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May 12, 2016

The Honorable Danielle Larivee,  
Minister of Municipal Affairs  
18th floor, Commerce Place  
10155-102 Street, Edmonton, AB, T5J 4L4

**Re: Village of Loughheed, Municipal Inspection Report**

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Dear Minister Larivee:

An inspection has been conducted of the management, administration and operations of the Village of Loughheed, Alberta as directed by Alberta Ministerial Order No. MSL: 006/16 signed on January 12<sup>th</sup>, 2016.

The findings of this municipal inspection are contained in the following report along with recommendations respectfully submitted for consideration.

Thank you for the opportunity to assist with this process. We remain available to respond to any additional questions you may have regarding the inspection findings.

Sincerely,

Doug Lagore  
Inspector  
Senior Associate Consultant  
Transitional Solutions Inc.

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## 1. EXECUTIVE SUMMARY

At the March 19, 2015 Council meeting, Council passed motion #041/15 requesting a municipal inspection of the Village of Loughheed. Ministerial Order No. MSL 006/16 was issued January 12, 2016. During our inspection, a number of areas of concern were identified which mainly centered around Council, governance principles and administrative matters.

### INTERVIEWS

All of Loughheed Council, all staff, some former staff, Mayor and Chief Administrative Officer (CAO) from the Town of Hardisty and the CAO for Flagstaff County were interviewed. Through the interviews there were clear trust issues and a strained working relationship amongst members of Loughheed Council. Loughheed Village Council could be best described as dysfunctional and mired in the administrative side of the operations. There is a clear lack of leadership at the political level.

### CONDUCT OF COUNCIL

The inspection reviewed all aspects of Council operations and found deficiencies in all areas. There is a lack of trust and respect between some members of Council. Members of Council continually interfere in administrative matters and have been known to harass and bully municipal employees, which has directly resulted in a continual turnover of staff.

The Municipal Inspector has made the following recommendations:

1. Oath of Office for all elected officials be retained and properly filed in a secure place;
2. Consideration be given to passing a bylaw pursuant to sec. 143 of the MGA to reduce the number of elected officials to three (3);
3. Council meeting agendas are monitored to ensure operational matters are not on the agenda;
4. Council undertake a quarterly review of their conduct as a whole and individually;
5. Council immediately discontinue all involvement in administrative and operational matters, including the direction of staff with the exception of the CAO. All communication should go through the CAO;
6. Councillor Twerdochlib conduct himself in a manner that reflects positively on the Village, the Council and staff;
7. The CAO provide Council with a written summary of actions taken on operational and financial matters on a monthly basis;
8. All direction to the CAO at a Council meeting be done by formal motion;
9. Council engage a facilitator to provide training on governance and role separation;

10. Role separation between administration and Council must be respected and adhered to;
11. The CAO strive for the role separation between Administration and Council;

### **PECUNIARY INTEREST AND CONFLICT OF INTEREST**

Elected officials that contravene pecuniary interest would need to resign, or the elector or Council may proceed with legal action to have the elected official removed from office.

It is recommended that:

12. The Village of Lougheed immediately discontinue consolidation of private residential lots until such time as a legal opinion has been obtained;
13. All members of Council pay closer attention to their pecuniary interest and declare their pecuniary interest when appropriate, pursuant to Sec. 172 of the Alberta Municipal Government Act (MGA);
14. The CAO ensure all declarations of pecuniary interest are duly recorded in the appropriate Council meeting minutes along with the nature of their pecuniary interest;
15. Mayor Susan Armer comply with Sec. 174 of the Alberta Municipal Government Act (MGA) and declare that she is disqualified. In the event that she does not voluntarily accept disqualification, it is recommended that Council obtain legal opinions on disqualification in accordance with Sec. 175 of the Alberta Municipal Government Act;
16. The should not seek permission from Council to bring a matter to Council for their consideration (i.e. Master Rate Schedule);

### **IN-CAMERA COUNCIL MEETINGS**

Council needs to appreciate that personnel matters and the matters set out in sec. 197(2) and (2.1) of the MGA are always discussed in-camera. Other than this concern there does not appear to be a problem with confidentiality.

It is recommended that:

17. All deliberations that involve personnel matters and other matters set out in sec. 197(2) and (2.1) are held in-camera;

### **CODE OF CONDUCT**

Council has developed and adopted by Bylaw, a Code of Conduct however, Councillor Twerdochlib refuses to endorse the Code of Conduct. This needs to be rectified.

It is recommended that:

18. Councillor Dave Twerdochlib should sign the acknowledgement and abide by the Code of Conduct

Policy;

19. The CAO continually bring the Code of Conduct for review at every organizational meeting so all members of council understand their commitment;
20. The CAO administer the Code of Conduct Policy to the newly elected official, John Coggan;

## **LIABILITY ISSUES**

Council and administration need to be more diligent in reviewing matters for potential liabilities as it is obvious that this is currently not happening. For example, compensation paid to residents and contracts are not being reviewed by legal counsel.

It is recommended that:

21. All contracts for the Village of Loughheed be reviewed by legal counsel;
22. The Utilities Bylaw No. 738/14 be amended to alleviate any responsibility for damages caused by village employees and/or contractors in the course of hydrant and water line repairs on trees and shrubs located within easements;
23. Council not authorize any compensation to residents without filing an insurance claim through the Village's insurer;

## **PUBLIC PARTICIPATION**

While the inspection faced challenges with public participation, this was overcome through the use of online and mail out surveys. Council does provide an opportunity for public questions at all Regular Council Meetings, however, the website should be expanded to provide the public with the opportunity for input and questions.

It is recommended that:

24. A public feedback section be added to the Village website to make it easier for the public to have their questions answered and to report maintenance issues;

## **CHIEF ADMINISTRATIVE OFFICER AND ADMINISTRATIVE STRUCTURE**

All staff are recent hires with all having less than one (1) year experience. There is considerable room for improvement in the human resource area. The CAO was hired without anything in writing and no employment contract. There is a motion of Council for the appointment.

Council has not determined or expressed their goals, expectations or priorities for the new CAO. This clearly needs to be done and connected to a performance appraisal process.

It is recommended that:

25. Council instructs their legal counsel to draft an employment contract based on the conditions negotiated by Council for David Alderdice;
26. Council clearly defines their goals and expectations for the CAO on an annual basis;
27. Council implements a formal performance evaluation process for the CAO;
28. In the future, Council engages the service of an independent professional executive search firm to recruit a CAO;
29. Sufficient funding is made available for professional development for the CAO;
30. An organizational chart be prepared for the Village of Lougheed;

#### **COUNCIL MEETING MINUTES**

Council agenda packages are not prepared and distributed in a timely manner and the packages lack detailed information. Requests for Decisions (RFD's) are not always prepared, are not numbered correctly and often lack the appropriate detail. Motions are often worded incorrectly and record retention is very weak.

It is recommended that:

31. The CAO draft a policy on the preparation of the Council agenda package and that Council formally approves the policy. At a minimum, the policy must provide direction on what should be included in the agenda package, process and timeframe for the approval of the agenda package with the Mayor, timelines for the distribution of the agenda package, and what constitutes a complete Request for Decision memorandum;
32. The minutes of all Council meetings provide an accurate record as per sec. 208(1) (a) – (d) of the MGA without error, of the direction of Council;
33. The minutes of all Council meetings, in accordance with sec. 208(1)(a) to (d), only record the direction of Council; not the discussion or opinions of the elected officials;
34. Motions are worded more carefully and accurately to reflect the direction/decision of Council and refer to the specific section of the MGA when appropriate;
35. Notice of Special Council meetings complete with the agenda must be kept on file;
36. A proper filing system be established for the retention of all minutes and agendas for all Council



- meetings, Special Council meetings and Committee (internal and external) meeting minutes;
37. More attention is given to the detail and content of the agenda package for council meetings; to ensure relevant material is not missing;
  38. All motions need to be worded in the positive;
  39. An action list of all motions be prepared immediately following the Council meeting so the CAO can ensure actions to all items with appropriate follow-up;
  40. All matters that need action by Council be included in the Council Agenda Package in the form of a Request for a Decision (RFD). Each RFD must include the following as a minimum:
    1. Title identifying the issue
    2. Background
    3. Options for Council
    4. Recommendations
    5. Financial Impact
  41. Complete agenda packages for all Regular and Special Council meetings be kept on file, in accordance with an approved records retention policy;

## COMMITTEES AND COMMITTEE APPOINTMENTS

The procedure for providing committee information to Council is almost non-existent. Committee minutes, information and RFD's need to be included in the Council agenda packages. Council appoints members to the various committees on an annual basis at the Organizational Meeting.

It is recommended that:

42. All committee agendas, minutes and relevant material are provided to the Village for retention;
43. Any outcomes from committees that require a specific motion of approval from Council be presented to Council in the agenda package, complete with all relevant material. These items should not be presented to Council at the last minute without any relevant information;

## BYLAWS AND LAND USE BYLAW

Overall, bylaws have been well prepared, although there are instances where the old bylaw has not been repealed. The Land Use Bylaw and all amendments need to be filed in a single file.

It is recommended that:

44. The CAO undertake a complete review of all bylaws in an effort to correct any deficiencies and identify all conflicting bylaws that need to be repealed;
45. The CAO pay particular attention to the drafting of bylaws and consult with legal counsel where

necessary;

46. The CAO file the Land Use Bylaw and all amendments in a single binder;

## **STRATEGIC PLAN**

A strategic plan was prepared in January 2014 with one of the main initiatives being regional collaboration. While this initiative is being pursued, the balance of the Strategic Plan is being forgotten. The Strategic Plan needs to be reviewed on a regular basis.

It is recommended that:

47. The CAO review the Strategic Plan on a monthly basis at minimum and pursue the initiatives under his responsibility;
48. The CAO include an update on the Strategic Plan in his monthly report to Council;
49. Council review the Strategic Plan on an annual basis;

## **Financial Matters**

At the time of the municipal inspection, the budget for 2016 had not been adopted and Council had only approved an interim budget for 2016.

It is recommended that:

50. Action be taken immediately to complete the audit for 2015;
51. The CAO and Council ensure all recommendations contained in the auditor's management letter are implemented on an annual basis;
52. Quarterly reports are presented to Council on the 2016 Operating and Capital Budgets to include Income/Expense statements with Actual to Budget comparisons;
53. The CAO immediately implement an aggressive collection program for all outstanding utility accounts, in consultation with legal counsel, including the disconnection of water services if necessary;
54. The CAO meet personally with all property owners that have outstanding property taxes and implement a payment program;
55. The CAO review and update the Council Compensation Policy and there be no further amendments to Council's compensation without undertaking a complete review of the policy. Once the policy has been updated, the policy needs to be approved by Council;

## INFRASTRUCTURE

Infrastructure has been neglected over the past few years and Council needs to address some of the deficiencies before there is a complete failure of the infrastructure.

It is recommended that:

56. The water meter project be completed and put into operation;
57. The Village of Loughheed undertake a complete infrastructure assessment study;

## FIRE DEPARTMENT

Currently the Fire Chief has not been appointed by Council pursuant to the Fire Services Bylaw and Council seems reluctant to do so. This needs to be addressed.

It is recommended that:

58. Council appoint a Fire Chief pursuant to the Fire Services Bylaw #743-15;
59. Council ensure that sufficient funding be made available for up to date bunker gear;
60. The CAO meet with the Fire Chief and implement the necessary procedures for the notification and the enrolment of new officers and members;
61. A risk analysis and possible liability exposure of the shortcomings of the Fire Department be undertaken;

## DISSOLUTION

It is more a matter of when, not if, there will be dissolution of the Village of Loughheed. Council and administration need to embark on an educational process for residents. It is important for the residents to understand there is no loss of identity, services will remain the same or improve, and property taxes should be substantially lower.

It is recommended that:

62. Council request the Minister to undertake a viability review for the Village of Loughheed;

## CONCLUSION

The inspection identified concerns in a number of areas as follows:

- Council's inability to work as team;
- Council is too involved in the administrative side of the Village;
- Council's lack of understanding of governance;
- There are problems in all areas of operations.

With a Council that is mired in administrative detail and an inability to work together, coupled with all new staff, Council needs to support administration in the implementation of all recommendations contained within this inspection report and stay focused on their role of governance, leadership and policy approval.

## 2. INSPECTION INTERVIEW METHODOLOGY AND RESULTS

The inspection process included a series of nearly 42 surveys of residents and seven business surveys conducted in order to gather *qualitative* data and an evaluative understanding of the recent events and local dynamics. Respondents were asked consistent questions and *quantitative* data was used to assess and summarize information themes presented by a representative sample of the Village of Loughheed's population.

## 3. SCOPE OF MUNICIPAL INSPECTION

### LEGISLATIVE BASIS FOR MUNICIPAL INSPECTION

The Minister of Alberta Municipal Affairs authorized a municipal inspection in response to a request received on April 1, 2015 from the Village of Loughheed Council, asking that an inspection into the management, administration and operation of the Village be conducted. Council stated the request was due to ongoing issues which escalated in relation to the conduct of Council and the working relationships among both Council and between Council and Administration.

Ministerial Order No. MSL: 006/16 was signed on January 12, 2016 where the Honorable Danielle Larivee, Minister of Municipal Affairs appointed an inspector to conduct an inspection of the management, administration and operations of the Village of Loughheed, pursuant to Sec. 571 of the *Municipal Government Act* (MGA) as quoted below. Upon review of the inspection findings, the Minister may order directives upon a council and CAO pursuant to the MGA S. 574, also quoted below:

### Inspection

*571(1) The Minister may require any matter connected with the management, administration or operation of any municipality or any assessment prepared under Part 9 to be inspected*

*(a) on the Minister's initiative, or (b) on the request of the council of the municipality.*

*(2) The Minister may appoint one or more persons as inspectors for the purpose of carrying out inspections under this section.*

*(3) An inspector*

*(a) may require the attendance of any officer of the municipality or of any other person whose presence the inspector considers necessary during the course of the inspection, and*

*(b) has the same powers, privileges and immunities as a commissioner under the Public Inquiries*

Act.

*(4) When required to do so by an inspector, the chief administrative officer of the municipality must produce for examination and inspection all books and records of the municipality.*

*(5) After the completion of the inspection, the inspector must make a report to the Minister and, if the inspection was made at the request of a Council, to the Council*

## Directions and dismissal

*574(1) If, because of an inspection under sec. 571, an inquiry under sec. 572 or an audit under sec. 282, the Minister considers that a municipality is managed in an irregular, improper or improvident manner, the Minister may by order direct the council, the chief administrative officer or a designated officer of the municipality to take any action that the Minister considers proper in the circumstances.*

*(2) If an order of the Minister under this sec. is not carried out to the satisfaction of the Minister, the Minister may dismiss the council or any member of it or the chief administrative officer.*

For clarification, the following definitions are provided in reference to the above MGA sections:

**Irregular:** Not according to established principles, procedures or law; not normal; not following the usual rules about what should be done.

**Improper:** Deviating from fact, truth, or established usage; unsuitable; not appropriate; not conforming to accepted standards of conduct.

**Improvident:** Lacking foresight; taking no thought of future needs; spendthrift; not providing for, or saving for the future; not wise or sensible regarding money.

## PROVINCIAL MANDATE AND INSPECTION PROCESS

Alberta Municipal Affairs called for proposals from qualified, independent consulting companies to conduct a municipal inspection of the Village of Loughheed through a competitive bid process. Transitional Solutions Inc. was awarded the contract to provide inspection services, including the creation of a report to the Minister with details of the inspection findings for Village of Loughheed.

The in-depth municipal inspection process included the following tasks:

1. Conducting stakeholder interviews, including:
  - Elected officials
  - Staff
  - Residents
2. Review and evaluate municipal records and processes, including:
  - Bylaws
  - Policies

- Council committees
  - Organizational structure
  - Process and procedures used to prepare for council meetings
  - Council's understanding of their role and responsibilities
  - The CAO's understanding of his role and responsibilities
  - Attendance at and evaluation of the conduct of council meetings
  - The process for preparing and approving council meeting minutes
  - A review of recent minutes
  - A review of key planning documents
  - A review of the subdivision and development approval process
  - The financial status of the municipality
  - The process of financial reporting to council
  - The budget process
  - Major proposed or active capital projects
  - A comparative analysis of the property assessment and tax rates with similar municipalities
  - Public engagement and communication policies and procedures
3. Prepare a report to the Minister of Municipal Affairs on the inspection findings;
  4. Present the inspection report to the Village of Loughheed Council at a public meeting.

## 4. COUNCIL STRUCTURE

The Village of Loughheed is governed by a five-member council elected by a vote of the electors of the whole municipality in accordance with the MGA S. 147. The Mayor (Chief Elected Official) is appointed by Council from among the Councillors in accordance with the MGA S. 150(2) and serves as the presiding officer (chair) of Council meetings. The Deputy Mayor (Deputy Chief Elected Official) is appointed by the Council in accordance with the MGA S. 152 and serves in the absence of the mayor.

The Village of Loughheed's 2013 general election resulted in the following candidates being declared elected by acclamation in accordance with the LAEA S. 34, to a four-year term of office (S. 10):

- Mayor: Susan Armer
- Councillor: Debra Smith
- Councillor: Joe Cameron

### **By - Elections**

- Councillor: Dave Twerdochlib (Elected in a by-election)
- Councillor: John Coggan – Newly elected in a by-election

Susan Armer was appointed as Mayor and Debra Smith was appointed as Deputy Mayor. There have been four (4) resignations on Council since the 2013 elections which included Janice Bishop, Sonny Losness, Terry Phoenix, and Derek Otto. Councillor Derek Otto resigned from council in December 2015 after a horrendous vehicle accident. A by-election was held to fill the vacancy on council following the resignation of Derek Otto. The only candidate was John Coggan. He won the position by acclamation. Due to the high number of acclamations and difficulties in obtaining nominations, consideration should be given to reducing the number of elected officials pursuant to sec. 143 of the MGA.

Currently there is no filing system in place for the Oath of Office for newly elected officials. At the time of the inspection, Oath of Office was only available for Susan Armer and Deb Smith.

Some elected officials keep municipal records, emails and information on their personal computers. As a result, the personal computers are subject to access for information requests under the Freedom of Information and Privacy Act (FOIP).

#### **RECOMMENDATIONS:**

1. Oath of Office for all elected officials be retained and properly filed in a secure place;
2. That consideration be given to passing a bylaw pursuant to sec. 143 of the MGA to reduce the number of elected officials to three (3);



## 5. CONDUCT OF COUNCIL

Through the interviews with Council, current staff and former staff, it became very clear that Council does not work as a team.

On March 9, 2016 it was confirmed that Councillor Smith had a key to the Village office as well as full access to the computer system. This includes record keeping and financial records. It should be noted that as soon as the CAO became aware of Councillor Smith's access to the system he immediately changed passwords. Councillor Smith felt she needed this access in her role as Director of Emergency Services, a position that would normally be held by the CAO or Fire Chief.

Councillor Twerdochlib attended a meeting of the Flagstaff Inter-Municipal Group and his behavior brought disrespect to the Village of Loughheed as well as an embarrassment to all of those in attendance at the meeting. As a result, at the March 19, 2015 Council meeting, Council decided to censor Councillor Twerdochlib and motion #039-15 was passed.

Village of Loughheed No. 039-15 – March 19, 2015

**039/15** **MOVED** by Mayor Armer that the Council of the Village of Loughheed restrict Councillor Twerdochlib from attending any and all Council Committee meetings representing the Village or Village Council for the remainder of his term up to and including October 15, 2017, with any Federal, Provincial or Municipal representatives or representatives from organizations or businesses, without receiving prior approval from Council.

A request for recorded vote was made.

Councillor Cameron – For

Councillor Smith – For

Mayor Armer – For

Councillor Twerdochlib – Opposed

**Carried.**

One member of Council has continually bullied and harassed the former CAO and other members of Council, both publicly and behind their backs within the community. This conduct reached such levels that the RCMP were consulted.

There have been instances where members of Council have interfered in administration matters. A former public works employee left the employ of the Village of Lougheed as a result of the political interference and there has been a history of staff turnover in the Village of Lougheed due to this interference of Council. The former CAO clearly had difficulty working with staff as well.

Councillor Twerdochlib does not appear to have a clear understanding of his role as an elected official. His approach with other elected officials and staff can be contradictory in nature and his knowledge of the MGA needs to be improved. During interviews with Councillor Twerdochlib he was disturbed that a video camera was installed in the Council chambers. He stated that the MGA didn't "authorize" the installation of the video camera. The reasoning for the installation of the video camera was to record the conduct of Councillor Twerdochlib. The response from other elected officials is that Councillor Twerdochlib toned down his behavior after the video camera was installed. Furthermore, it is obvious from the response to the residential survey that the community is aware of Councillor Twerdochlib's conduct at Council meetings and his treatment of staff.

In observation of the Council meeting of April 21, 2016, the entire meeting was spent discussing administrative matters; matters that should be dealt with by administration. The Council Meeting format was more like a discussion at the local coffee shop. Elected officials should remove their ball caps during council meetings, in respect to the role of an elected official. There were no formal motions stated at anytime during the meeting, rather statements such as "I will move that" or "I will move it". Council can only act by bylaw or resolutions, sec. 180-181 of the MGA and the proper meeting procedures require motions to be clearly stated so all in attendance are aware of the actual motion and minutes need to properly reflect Council's intentions. The minutes for the Council Meeting of April 17, 2016 include a lot information that is not required and should more clearly record the intentions of Council. Once again, the CAO must ensure that minutes are prepared in accordance with sec. 208(1)(a) – (c) of the MGA.

Both Council and staff struggle with the separation of the role of governance and policy implementation. Clearly Council does not understand role separation.

#### RECOMMENDATIONS:

3. Council meeting agendas are monitored to ensure operational matters are not on the agenda;
4. Council undertake a quarterly review of their conduct as a whole and individually;
5. Council immediately discontinue all involvement in administrative and operational matters, including the direction of staff with the exception of the CAO. All communication should go through the CAO;
6. Councillor Twerdochlib conduct himself in a manner that reflects positively on the Village, the Council and staff;
7. The Chief Administrative Officer provide Council with a written summary of actions taken on operational and financial matters on a monthly basis;
8. All direction to the CAO at a Council meeting be done by formal motion;
9. Council engage a facilitator to provide training on governance and role separation;
10. Role separation between administration and Council must be respected and adhered to;
11. The CAO strive for the role separation between Administration and Council;

Council as a Whole and the elected officials individually have handled matters in an improper and improvident manner.

## 6. PECUNIARY INTEREST AND DISQUALIFICATION

- A. At the April 21<sup>st</sup>, 2016 Council meeting, Council discussed the consolidation of private residential lots. Pursuant to Bylaw No. 746-15, Sec. 3 and Sec. 357.1 of the Alberta Municipal Government Act, the Village of Loughheed specifies a minimum property tax of \$950.00.

Village of Loughheed Bylaw 746-15, Sec. 3<sup>1</sup>

### 3. MINIMUM TAX

The 2015 minimum amount payable as property tax for general municipal purposes shall be \$950.00, referred to as the General Municipal Minimum Tax and shall be applicable on all Residential/Farmland and Non-Residential parcels within the Village of Loughheed, in addition to ASFF and Seniors Foundation requisition requirements, per parcel.

If a vacant lot is adjoining to a developed property, owned by the same owner, the properties are then combined for the purpose of calculating the minimum tax only. Thus this vacant lot would not have to prove minimum amount and would receive mill rate as taxable total.

Sec. 357.1 – Municipal Government Act<sup>2</sup>

### **Special provision of property tax bylaw**

**357(1)** Despite anything in this Division, the property tax bylaw may specify a minimum amount payable as property tax.

Currently there are approximately eight ratepayers who own a vacant lot adjacent to their developed property. While S. 3 of Bylaw No. 746-15 states the “properties are then combined for the purpose of calculating the minimum tax only,” the lots need to be legally consolidated. At Councils discretion, although there is no motion on record to confirm this and therefore no authority to act, the Village of Loughheed will undertake the consolidation of these lots at a cost of \$50.00 per ratepayer. The cost to the Village will be more than the \$50.00 per ratepayer per lot so there is a financial gain to the individual ratepayer. Council should direct the CAO to obtain a legal opinion on the role of the Village in this process.

<sup>1</sup> Village of Loughheed Bylaw 746-15, Sec. 3

<sup>2</sup> (Alberta, 2016)

Councillor Smith participated in the discussion at the April 21, 2016 Council meeting and admitted that she was one of the affected property owners. Councillor Smith should have declared a pecuniary interest in this matter and left the council chambers for this discussion. Mayor Armer directed the CAO to give this matter priority over all other items, specifically mentioning the 2016-year end, without any supporting formal motion of Council and therefore, there is no authority to act.

- B. At the April 21, 2016 Council meeting, Council discussed the matter of penalties for arrears in utility accounts. Currently the Master Rate Schedule does not address the ten (10) percent penalty.

The CAO was seeking Councils approval to amend the Master Rate Schedule A of the Master Rate Bylaw No. 740-15. There was considerable discussion on this matter and Mayor Colleen Armer participated. Mayor Armer was very vocal on not shutting off the water for those residents in arrears.

Sec. 170(1)(a) speaks to the pecuniary interest of a Councillor, and as this matter could monetarily impact Mayor Armer, she should not have participated in the discussion. As of April 26, 2016 Mayor Armer's utility account was in arrears. Mayor Armer may be disqualified under Sec. 174(1)(b) of the MGA and should guide herself accordingly.

In the view of the Municipal inspector, Mayor Armer is disqualified from Council pursuant of Sec. 174(1)(b) of the Alberta Municipal Government Act (MGA):

**Reasons for disqualification<sup>3</sup>**

**174(1)** A Councillor is disqualified from council if

**(b)** the Councillor ceases to be eligible for nomination as a candidate under the Local Authorities Election Act

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<sup>3</sup> (Alberta, 2016)

and Sec. 22 (1)(d) of the Local Authorities Elections Act:

**Ineligibility<sup>4</sup>**

**22(1)** A person is not eligible to be nominated as a candidate in any election under this Act if on nomination day

**(c)** the person is indebted to the municipality of which the person is an elector for taxes in default exceeding \$50, excluding from that amount

**(i)** any indebtedness for current taxes, and

**(ii)** any indebtedness for arrears of taxes for which the person has entered into a consolidation agreement with the municipality, unless the person is in default in the payment of any money due under the agreement;

**(d)** the person is indebted to the local jurisdiction for which the election is to be held for any debt exceeding \$500 and in default for more than 90 days;

13. Sec. 172 of the Alberta Municipal Government Act (MGA):

**Disclosure of pecuniary interest<sup>5</sup>**

**172(1)** When a Councillor has a pecuniary interest in a matter before the council, a council committee or any other body to which the Councillor is appointed as a representative of the council, the Councillor must, if present,

**(a)** disclose the general nature of the pecuniary interest prior to any discussion of the matter,

**(b)** abstain from voting on any question relating to the matter,

**(c)** subject to subsec. (3), abstain from any discussion of the matter, and

**(d)** subject to subsec.s (2) and (3), leave the room in which the meeting is being held until discussion and voting on the matter are concluded.

**(2)** If the matter with respect to which the Councillor has a pecuniary interest is the payment of an account for which funds have previously been committed, it is not necessary for the Councillor to leave the room.

**(3)** If the matter with respect to which the Councillor has a pecuniary interest is a question on which,

<sup>4</sup> (Alberta, 2016)

<sup>5</sup> (Alberta, 2016)

under this Act or another enactment, the Councillor as a taxpayer, an elector or an owner has a right to be heard by the council,

**(a)** it is not necessary for the Councillor to leave the room,

and

**(b)** the Councillor may exercise a right to be heard in the same manner as a person who is not a Councillor.

**(4)** If a Councillor is temporarily absent from a meeting when a matter in which the Councillor has a pecuniary interest arises, the Councillor must immediately on returning to the meeting, or as soon as the Councillor becomes aware that the matter has been considered, disclose the general nature of the Councillor's interest in the matter.

**(5)** The abstention of a Councillor under subsec. (1) and the disclosure of a Councillor's interest under subsec. (1) or (4) must be recorded in the minutes of the meeting.

**(6)** If a Councillor has disclosed a pecuniary interest at a council committee meeting and council considers a report of the committee in respect of which the Councillor disclosed a pecuniary interest, the Councillor must disclose the pecuniary interest at the council meeting and subsec. (1) applies to the Councillor

## Sec. 175 – MGA

### **Resignation on disqualification**

175(1) A Councillor that is disqualified must resign immediately.

(2) If a Councillor does not resign immediately,

(a) the Council may apply to a judge of the Court of Queen's Bench for (i) an order determining whether the person was never qualified to be or has ceased to be qualified to remain a Councillor, or

(ii) an order declaring the person to be disqualified from Council, or

(b) an elector who (i) files an affidavit showing reasonable grounds for believing that a person never was or has ceased to be qualified as a Councillor, and

(ii) pays into court the sum of \$500 as security for costs, may apply to a judge of the Court of Queen's Bench for

an order declaring the person to be disqualified from council.

(3) An application under this sec. may only be made within 3 years from the date the disqualification is alleged to have occurred.

- (4) An application under this sec. may be started or continued whether or not an election has been held between the time the disqualification is alleged to have occurred and the time the application is or was commenced and whether or not the person in respect of whom the application is being brought
- (a) resigns before or after the election,
  - (b) was re-elected in the election,
  - (c) was not re-elected or did not run in the election, or
  - (d) has completed a term of office.

#### RECOMMENDATIONS:

- 12. The Village of Lougheed immediately discontinue consolidation of private residential lots until such time as a legal opinion has been obtained;
- 13. All members of Council pay closer attention to their pecuniary interest and declare their pecuniary interest when appropriate, pursuant to Sec. 172 of the Alberta Municipal Government Act (MGA);
- 14. The CAO ensure that all declarations of pecuniary interest are duly recorded in the appropriate Council meeting minutes along with the nature of their pecuniary interest;
- 15. Mayor Susan Armer comply with Sec. 174 of the Alberta Municipal Government Act (MGA) and declare that she is disqualified. In the event that she does not voluntarily accept disqualification, it is recommended that Council obtain legal opinions on disqualification in accordance with Sec. 175 of the Alberta Municipal Government Act;
- 16. The CAO should not seek permission from Council to bring a matter to Council for their consideration (i.e. Master Rate Schedule);

Clearly several matters have been handled in an improper manner.

## 7. IN CAMERA COUNCIL MEETINGS

Council meetings are open to the public unless there is a matter that falls within the scope of Sec. 197 of the MGA or Division 2 of Part 1 of FOIPP. Throughout our inspection and interviews there were no indications that



there was any breach of any confidential matters. Council does not have a lot of in-camera sessions although all staff matters should be done in-camera. At the April 21, 2016 Council Meeting there was a discussion on the

#### **RECOMMENDATIONS:**

17. All deliberations that involve personnel matters and other matters set out in sec. 197(2) and (2.1) are held in-camera;

appointment of the Fire Chief that should not have happened in the public session and was inconsistent with 197(2) of the MGA.

## **8. CODE OF CONDUCT**

Council gave third reading to Bylaw #744-15, a Code of Conduct bylaw for Council at the March 19<sup>th</sup>, 2015 Council meeting. Members of Council are expected to sign an acknowledgement of the code and abide by the Code of Conduct. All members of Council have signed the acknowledgement with the exception of one Councillor, Dave Twerdochlib. He adamantly refuses to sign the acknowledgement.

#### **RECOMMENDATIONS:**

18. Councillor Dave Twerdochlib should sign the acknowledgement and abide by the Code of Conduct Policy;
19. The CAO continually bring the Code of Conduct for review at every organizational meeting so that all members of council understand their commitment;
20. The CAO must administer the Code of Conduct Policy to the newly elected official, John Coggan;

## **9. LIABILITY ISSUES**

- A. At the January 15, 2016 Council Meeting, motion #006/16 was passed to approve a contract with NIC.212 Services for the contracting of bylaw enforcement services.

The contract does not adequately address liability insurance, and the contract itself is very poorly written. The contract was never reviewed by legal counsel for the Village of Loughheed. It should be noted that to date, the contract has not been executed by the village.

Council is dealing with liability issues in an irregular, improper and improvident manner.

- B. On at least two occasions Council has entered into discussions with residents for compensation for the removal of trees and/or caragana hedges.

At the September 17, 2015 Council Meeting, Council passed motion #129/15 to compensate Linda Grove to a maximum of \$7500 for the removal of a caragana hedge. The other incident involves the removal of trees at the Community Hall, which is located on Village property. This was discussed at the May 21, 2015 Council Meeting although there is no motion. Both of these claims should be handled through the Villages' insurance policy, and in fact, there should be no claim in the second instance as the community hall is Village property.

When trees and shrubs are damaged that are located on municipal right away or easement as a result of a hydrant repair, water line and/or water service connection repair, then the municipality would not be responsible for this damage and this should be addressed in the Utilities Bylaw.

#### **RECOMMENDATIONS:**

21. All contracts for the Village of Loughheed be reviewed by legal counsel;
22. The Utilities Bylaw No. 738/14 be amended to alleviate any responsibility for damages caused by the village employees and/or contractors in the course of hydrant and water line repairs on trees and shrubs located within easements;
23. The Council not authorize any compensation to residents without filing an insurance claim through the village's insurer;

## **10. PUBLIC PARTICIPATION**

Initially the residents and businesses refused to be interviewed for the municipal inspection. To achieve feedback from the residents, a survey along with a self-addressed envelope was included with the utility bills. This resulted in just over a 25% household response rate. To achieve feedback from the business community, an on-line survey was sent to all businesses and this was very successful with an approximate 50% response rate from the Village of Loughheed businesses.

Public interviews and data collection were completed during February – April 2016. The electronic resident and business community survey ran until April 8, 2016. The inspector followed local issues and remained available to receive further information from residents and officials throughout February - April 2016.

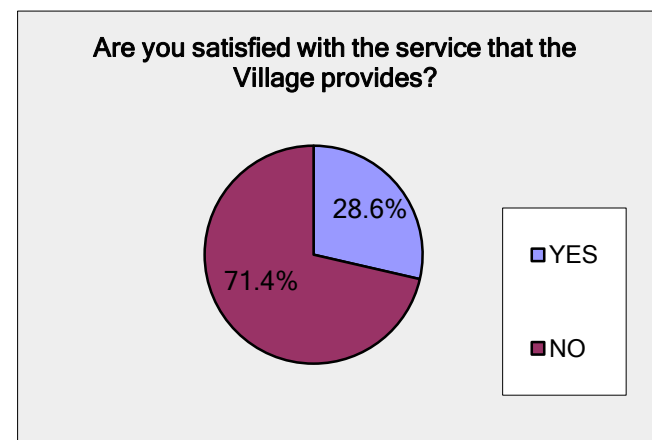
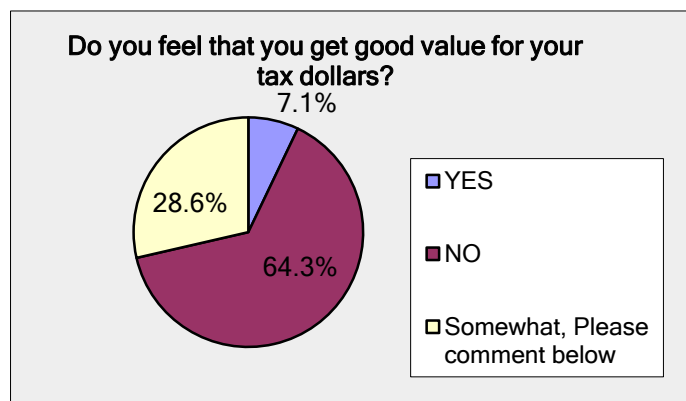
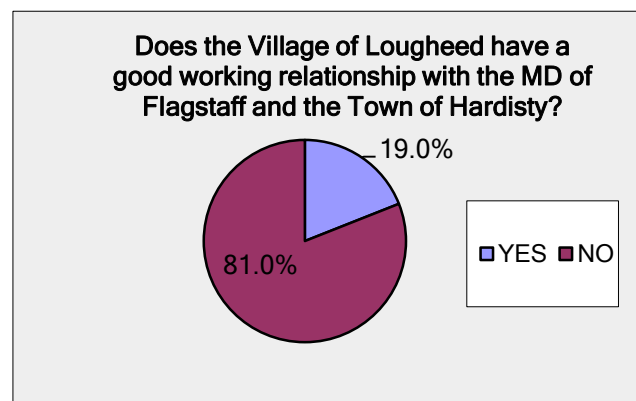
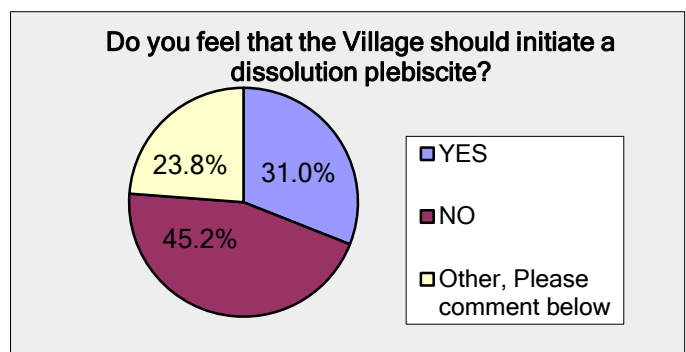
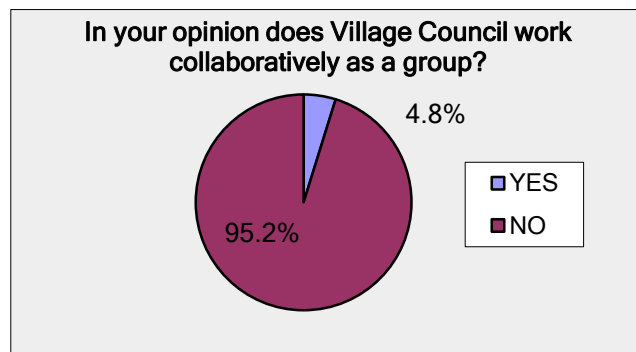
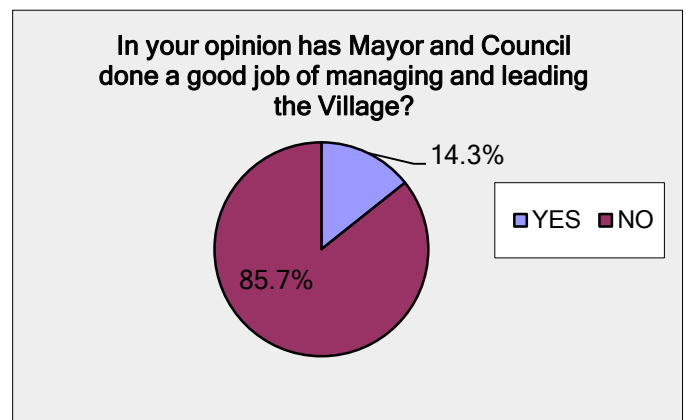
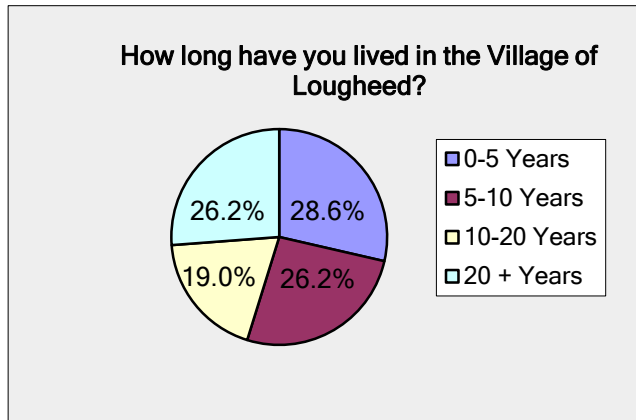
During the council meeting of April 21, 2016 there was sufficient time for questions from the public with Village

#### **RECOMMENDATIONS:**

24. A public feedback section be added to the Village website to make it easier for the public to have their questions answered and to report maintenance issues.

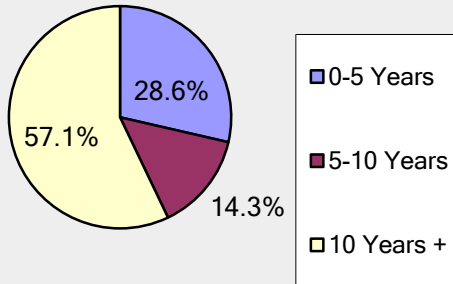
office staff being very accommodating with public inquiries and quick to respond.

## VILLAGE OF LOUGHEED RESIDENT SURVEY QUESTIONS AND RESULTS

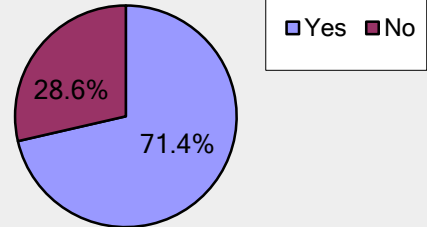


## VILLAGE OF LOUGHEED BUSINESS SURVEY QUESTIONS AND RESULTS

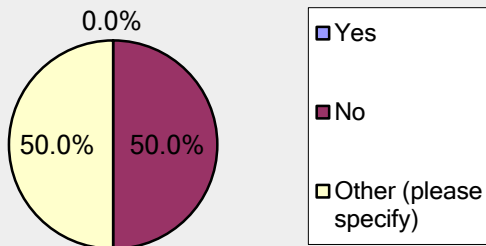
How long have you operated your business in the Village of Lougheed?



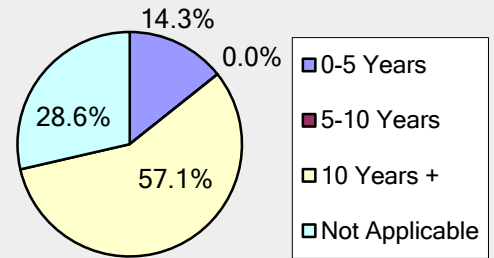
Are you a resident of Lougheed?



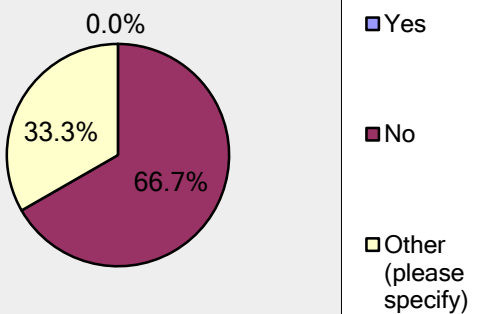
Do you believe the Mayor and Council has done a good job managing and leading the Village?



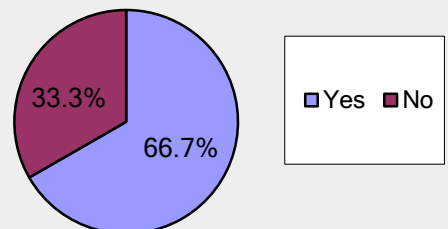
If you answered "Yes" to the above question, how long have you lived in the Village?

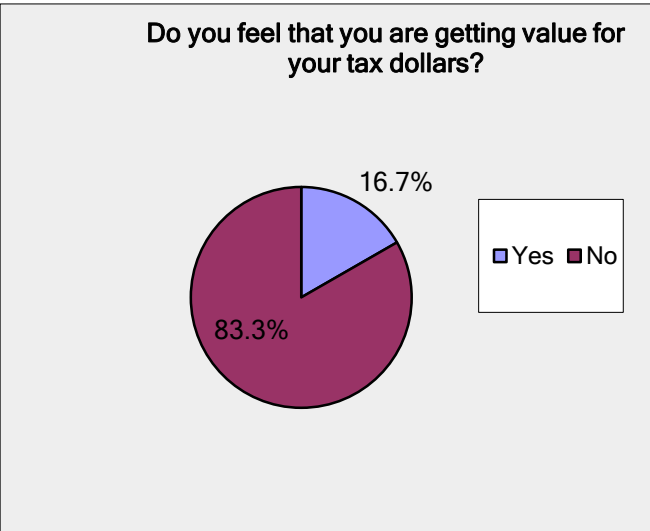
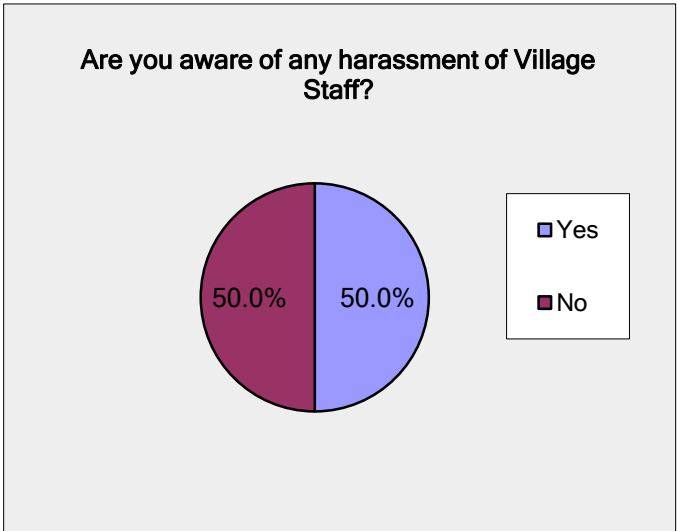
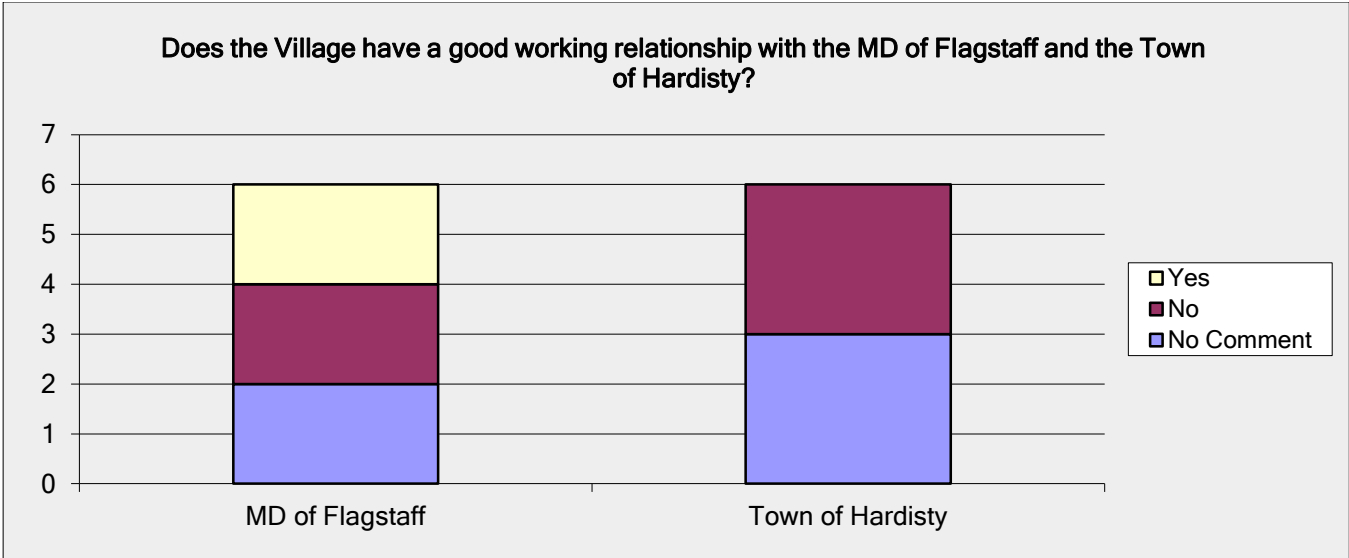


Does Council work collaboratively as a group?



Should the Village initiate a dissolution plebiscite?





## 11. CHIEF ADMINISTRATIVE OFFICER

Council must establish by bylaw a position of Chief Administrative Officer pursuant to sec. 205(1) of the MGA and Council must provide the CAO with an annual written performance evaluation pursuant to sec. 205.1 of the MGA.

Colleen Mayne, the former CAO for the Village of Lougheed left her employment with the Village on January 15, 2016. She alleged that she was harassed and bullied by many members of council and that one Councillor went way beyond the rest of council, to the point that the RCMP were contacted. Council, as an employer, has an obligation to provide a safe working environment pursuant to Alberta Labour Standard and the Occupational Health and Safety Act.

Colleen Mayne continued to work for the Village on an interim contract basis until a new CAO was hired. There was never a contract signed for the interim service.

David Alderdice was appointed as the CAO on February 18, 2016 (Motion #011/16). There was no effective date for his appointment but one can only assume the appointment was effective immediately as David Alderdice was in attendance at the council meeting and fulfilled the role as CAO. There was also a motion (Motion #012/16) that addresses the signing authority.

The Mayor and Councillor Smith undertook the recruitment for the CAO without any input from the balance of Council. One Councillor requested to see copies of the resumes but they were never provided.

There has never been a formal offer of employment provided to David Alderdice nor has there been a contract signed. All conditions of employment and compensation are verbal.

Current Council and previous Councils have continually interfered in the administrative and operational side of the Village. The CAO must be diligent in maintaining role separation and not lead Council outside of their legislative responsibility. The CAO needs to seek professional development opportunities to assist in this regard.

The CAO needs to attend the Local Government Administrators Association workshops and zone meetings.

**RECOMMENDATIONS:**

25. Council instruct their legal counsel to draft an employment contract based on the conditions negotiated by Council for David Alderdice;
26. Council clearly define their goals and expectations for the CAO on an annual basis;
27. Council implement a formal performance evaluation process for the CAO;
28. In the future, Council engage the service of an independent professional executive search firm to recruit a CAO;
29. Sufficient funding be made available for professional development for the CAO;

Council handled the recruitment of the CAO in an improper manner.

## **12. ADMINISTRATIVE STRUCTURE**

The Village of Loughheed has only three full-time employees and there is no organizational chart.

An organizational chart helps elected officials and the public understand the roles and responsibilities of the CAO, as well as the role of council.

**RECOMMENDATIONS:**

30. An organizational chart is prepared for the Village of Loughheed;

### 13. COUNCIL MEETING MINUTES

Minutes of Council Meetings must be recorded and stored pursuant to sec. 208(1)(a) – (d). The minutes are the official record of Council decisions.

Minutes of most Council meetings have errors. These errors are varied but significant, ranging from tabled motions being dropped, incorrect numbering of RFD's and motions, missing attachments, incorrect dates, no record of the vote on motions and motions lacking clarity as to the direction of Council. This lack of attention on the part of the CAO and Council is improper. There are possible legal implications to the Village due to this careless record keeping, especially if administration takes the wrong action as a result of the lack of clarity.

The agenda packages lack content and the April 21, 2016 Council Meeting agenda package had no supporting documents for the various items on the agenda. There were no RFD's attached and therefore no draft motions for Council to consider.

After reviewing the minutes of the council meetings for the period of July 2013 to March 2016, the following observations have been made:

1. Unable to locate minutes for the following meeting:
  - October 16, 2014
2. Unable to locate the notice of meeting or agendas for the following Special Council meetings, therefore, unable to confirm that proper notice was provided:
  - March 25, 2014
  - March 28, 2014
  - August 5, 2014
  - September 3, 2014
3. Unable to locate the attachments to the Council meeting of November 19, 2015 as stated in the minutes. The attachment relates to the questions from Councillor Twerdochilb. The minutes of the Council meeting of November 19, 2015 inaccurately state November 17, 2015 as the date of that meeting.
4. Numbering for RFD's have been inaccurate, especially for the Council meeting of November 19<sup>th</sup>, 2015.
5. Motions have been tabled to future meetings for Council but have never been dealt with at any subsequent Council meeting.



- *Example: RFD 13-10-50 Trail of the Buffalo Membership.*

*Moved by Councillor Cherowka THAT Council table this discussion until the next meeting.*

**CARRIED**

6. Negative motions have been brought forward at Council meetings.

- *Example: Motion # 28/14 Minutes of the February 20, 2014 meeting*

*Moved by Deputy Mayor Smith THAT Council does not accept the minutes of the February 20, 2014 meeting until they are corrected.*

**DEFEATED**

7. Motions have been made and there is no record of the vote on the specific motion.

- *Example: Motion #150/15 November 19<sup>th</sup>, 2015.*

*MOVED BY Councilor Cameron to authorize the CAO to obtain quote for the installation of a fence to enclose the Public Works Shop Yard, to be included in the 2016 Capital Budget.*

8. Motions are not always worded clearly and do not provide clear direction on the intent of Council.

- *Example: Motion #007/16 January 15<sup>th</sup>, 2016.*

**007/16 MOVED** by Councillor Smith that Council agree to exempt the 2016 Municipal Tax portion of taxes for development located within NE and NW Sec. 33, Township 43, Range 11, W4M, currently under construction with an approximated occupancy date no sooner than 2017. Carried.

9. There is no defined process for the preparation and approval of the agenda package for a council meeting.
10. Unable to locate any record of committee meetings or minutes of committee meetings, if in fact meetings were held.
11. Minutes for the February 18, 2016 and the March 17, 2016 Council meeting have conflicting dates for this meeting; they differ between the top and the bottom of the pages from the actual date of the meeting.

Council meeting minutes and agenda packages are being handled in an irregular and improper manner.

#### RECOMMENDATIONS:

31. The CAO draft a policy on the preparation of the Council agenda package and that Council formally approve the policy. At a minimum, the policy must provide direction on what should be included in the agenda package, process and timeframe for the approval of the agenda package with the Mayor, timelines for the distribution of the agenda package, and what constitutes a complete Request for Decision memorandum;
32. The minutes of all Council meetings provide an accurate record as per sec. 208(1) (a) – (d) of the MGA without error, of the direction of Council;
33. The minutes of all Council meetings, in accordance with sec. 208(1)(a) to (d), only record the direction of Council; not the discussion or opinions of the elected officials;
34. Motions are worded more carefully and accurately to reflect the direction/decision of Council and refer to the specific sec. of the MGA when appropriate;
35. Notice of Special Council meetings complete with the agenda must be kept on file;
36. A proper filing system be established for the retention of all minutes and agendas for all Council meetings, Special Council meetings and Committee (internal and external) meeting minutes;
37. More attention is given to the detail and content of the agenda package for council meetings; to ensure relevant material is not missing;
38. All motions need to be worded in the positive;
39. An action list listing all motions be prepared immediately following the Council meeting so the CAO ensures all items are actioned with appropriate follow-up;
40. All matters that need to be actioned by Council need to be included in the Council Agenda Package in the form of a Request for a Decision (RFD). Each RFD must include the following as a minimum:
  1. Title identifying the issue
  2. Background
  3. Options for Council
  4. Recommendations
  5. Financial Impact
41. Complete agenda packages for all Regular and Special Council meetings be kept on file, in accordance with an approved records retention policy;

## 14. COMMITTEES AND COMMITTEE APPOINTMENTS

Council appoints members to the committees at the organizational meeting, which was done properly at the October 27, 2015 organizational meeting. While members of Council report on their attendance and the outcomes of their respective committees, there is nothing on file in the Village records. There has been an instance where the material is included in the Council agenda package but this instance is rare. A good example of this is the Flagstaff Inter-Municipal Partnership Committee. Mayor Almer attended a recent meeting of this group and the budget and terms of reference for this committee need to be approved by the Village Council. Mayor Almer was unable to locate the necessary documents and there is no record in the Village office. Another example is the Parkland Regional Library and Flagstaff Family & Community Services Committee. Councillor Smith reported at the April 21<sup>st</sup>, 2016 Council on meetings she attended and yet nothing is filed with the Village office.

Village of Loughheed officials participate in several internal, external, and inter-municipal committees such as:

- Flagstaff Regional Housing Group (FRHG)
- Flagstaff Family and Community Services (FFCS)
- Flagstaff Inter-Municipal Partnership (FIP)
- Flagstaff Regional Solid Waste Management Association (FRSWMA)
- Parkland Regional Library
- Emergency Management Committee
- Loughheed and District Library Board
- Police
- Battle River Alliance for Economic Development (BRAED)

### RECOMMENDATIONS:

42. All committee agendas, minutes and relevant material are provided to the Village office for retention;
43. Any outcomes from committees that require a specific motion of approval from Council be presented to Council in the agenda package complete with all relevant material. These items should not be presented to Council at the last minute without any relevant information;

Committee minutes and relevant material such as agenda packages and attachments are being handled in an irregular and improper manner.

## 15. BYLAWS

Council may pass bylaws for municipal purpose as detailed on sec. 7 of the MGA on a broad spectrum of matters.

The inspection included the review of the majority of the Bylaws passed over the past three years, however, there were a number of Bylaws in relation to financial matters that could not be located.

When three readings of a bylaw were required at the same Council meeting, the legislative process was handled in a proper manner.

Bylaws are not always drafted properly. Sometimes the replacing bylaw does not repeal the original bylaw. For example, *Traffic Control Bylaw No. 755-15* does not repeal the original *Traffic Control Bylaw No. 692*, therefore there are now conflicting bylaws.

In some instances, there is a just a general statement that “all prior bylaws in the Village of Lougheed pertaining to” the subject matter “are hereby repealed”. This is far too general and could repeal something that is still needed.

Administration has identified that the penalty for late payment of utilities was not included in Schedule A of the *Master Rate Bylaw No. 740-15*.

### RECOMMENDATIONS:

44. The CAO undertake a complete review of all bylaws in an effort to correct any deficiencies and identify all conflicting bylaws that need to be repealed;
45. The CAO pay particular attention to the drafting of bylaws and consult with legal counsel where necessary;
46. CAO file the Land Use Bylaw and all amendments in a single binder;

More attention must be given to the drafting of bylaws as they are currently being prepared in an improper manner in some instances.

The Land Use Bylaw was adopted on April 8, 2010 and there have been amendments made since that time. All amendments have been completed properly. There is no Municipal Development Plan for the Village of Lougheed, although one is not required under the MGA. It would be more convenient if all the Land Use Bylaw and all amendments were kept in a single binder.

## 16. STRATEGIC PLANNING

The Village of Lougheed adopted a Strategic Plan on January 27, 2014. One of the main initiatives under the Strategic Plan is regional collaboration and the Village is participating in the Flagstaff Inter-Municipal Partnership project. Beyond this specific initiative there does not appear to be any action on the Strategic Plan by either Council or administration.

Council does not have a clear vision for the Village of Lougheed, nor have they established goals for their term. There is a strategic plan dated January 27, 2014, however, there is no record of this strategic plan being adopted by Council. The strategic plan does not contain a vision for the Village of Lougheed; however, there is an action plan. It appears that only one of the initiatives within the action plan has been initiated.

### RECOMMENDATIONS:

47. The CAO review the Strategic Plan monthly at minimum and pursue the initiatives that are under his responsibility;
48. The CAO include an update on the Strategic Plan in his monthly report to Council;
49. Council should review the Strategic Plan on an annual basis;

From a strategic planning and a long term planning point of view, Council has been improvident.

## 17. FINANCIAL MATTERS

While the Village of Lougheed's financial position is generally healthy, this only tells part of the story. There are dire needs within the infrastructure area, from deteriorating roads to aging equipment.

Bank reconciliations have not been completed on time; the audit of the 2015-year end is still outstanding, and Council has only approved an interim budget for 2016. A financially sustainable government is important. In the short term, a government must manage its financial obligations and deliver services. In the long term, the

Village must be able to manage the balance of affordability and service delivery while still being able to deal with unforeseen circumstances. This financial analysis should be read in combination with the audited financial statements, the annual budget and discussions with Village officials.

## FINANCIALS

The financial position of Loughheed is generally healthy as of the 2014 fiscal year. However, the financial statements do indicate an under investment in infrastructure.

The financial management of Loughheed is concerning – the financial oversight required of Council is not in place and the recommendations of the auditor have not been implemented.

Neither the 2016 budget nor the 2015 financial statements have been prepared. Council and Administration have not met certain financial requirements of the MGA until this work is completed.

## TAXES

The property taxes of Loughheed are higher than many communities (refer appendix E). Residents are likely to be interested in how their taxes compare to others. Of the nine communities within Flagstaff County, Loughheed has the third highest residential taxes and the highest non-residential. Of twenty similar size villages in Alberta, Loughheed has the fifth highest residential taxes and the second highest non-residential. The tax rates of Flagstaff County are considerably lower – residential taxes are 56% lower and non-residential – 40% lower. However a full review of services provided would have to be done to undertake a fair comparison of property taxes. Rural services typically differ substantially from urban services.

Financial management problems and high tax rates are signs that Loughheed is having trouble now. The financial management problems can be corrected in the short term, but additional increases to already high taxes may be needed to maintain services and infrastructure in the future. Survey results indicate that 83.3 % of the residents do not feel they are getting value for their tax dollars.

A government's financial condition can be gauged by its sustainability, flexibility and vulnerability.

- **Sustainability:** Sustainability is the ability to maintain services and meet obligations without borrowing or raising taxes.
- **Flexibility:** Flexibility is the degree to which a government has the option of raising taxes or borrowing.
- **Vulnerability:** Vulnerability is the extent to which a government is dependent on sources of funding outside its control, such as grants.

## FINANCIAL CONDITION

The financial position of Lougheed is fairly healthy as of the 2014 fiscal year. The cash balance was \$629,000 and the net asset position was \$516,000.

	For the year ended December 31				
	2016	2015	2014	2013	2012
Revenue	n.a.	n.a.	842	733	738
Expenses	n.a.	n.a.	615	645	577
Cash	n.a.	n.a.	629	665	504
Net assets	n.a.	n.a.	516	351	264
Net book value to cost of capital	n.a.	n.a.	56%	56%	58%
Total debt to provincial limit	n.a.	n.a.	6%	8%	14%

- Numbers listed in thousands of dollars

Lougheed has reasonable short-term flexibility by having the options of using cash resources and increasing debt to invest in infrastructure. Debt levels are comparatively low at 6% of the provincial limit.

To sustain services, Lougheed will eventually need to invest more in municipal infrastructure. The net book value of the capital assets is 56% of the cost – the average for Alberta municipalities is about 70% (for the 30 largest Alberta Municipalities for the 2010 to 2015 fiscal years; by population), indicating under investment.

## FINANCIAL MANAGEMENT

The financial management of Lougheed is concerning – adequate financial oversight by Council is not in place and the recommendations of the auditor have not been implemented.

- Neither the 2016 budget nor the 2015 financial statements have been prepared – work that is critical to basic financial management. Until the budget and financial statements are prepared, Council and Administration will not have met certain requirements of the Municipal Government Act.
- Council's financial oversight should include at least a quarterly review of financial statements including completed bank reconciliations. The financial statements and bank reconciliations were not prepared on a regular basis throughout the year, sometimes up to three months in arrears.
- It is important to note the ongoing high amounts of overdue taxes and utilities.
- It is important to note the ongoing high amounts of overdue taxes and utilities (\$164,889.11 outstanding in property taxes as of May 22, 2016 and \$24,720.72 outstanding in utilities as of May 22, 2016).

## TAX CONSIDERATIONS

Property taxes are a primary source of revenue for municipalities. Municipalities have the autonomy to set tax rates and use the revenue as they see fit. Property taxes are also unpopular to various degrees depending on

the community and how well the municipality is viewed to manage the property taxes. Residents are usually interested in how their taxes compare to other communities.

## TAXES AND ASSESSMENT

Property taxes provide more than half of Lougheed's annual revenues. Property assessment for Lougheed is made up of 77% residential and 23% non-residential.

	2015	2014	2013
Municipal–residential	12.0479	12.7400	12.7400
Municipal-non-residential	27.0990	31.2073	31.2073
Education–residential	2.4995	2.5269	2.5079
Education-non-residential	3.5693	3.7002	3.3340
Seniors–residential	0.2399	0.2468	0.2078
Seniors-non-residential	0.2399	0.2557	0.2149
Total assessment	16,497,194	15,843,430	14,315,442
Residential assessment	12,649,874	12,015,160	11,027,402

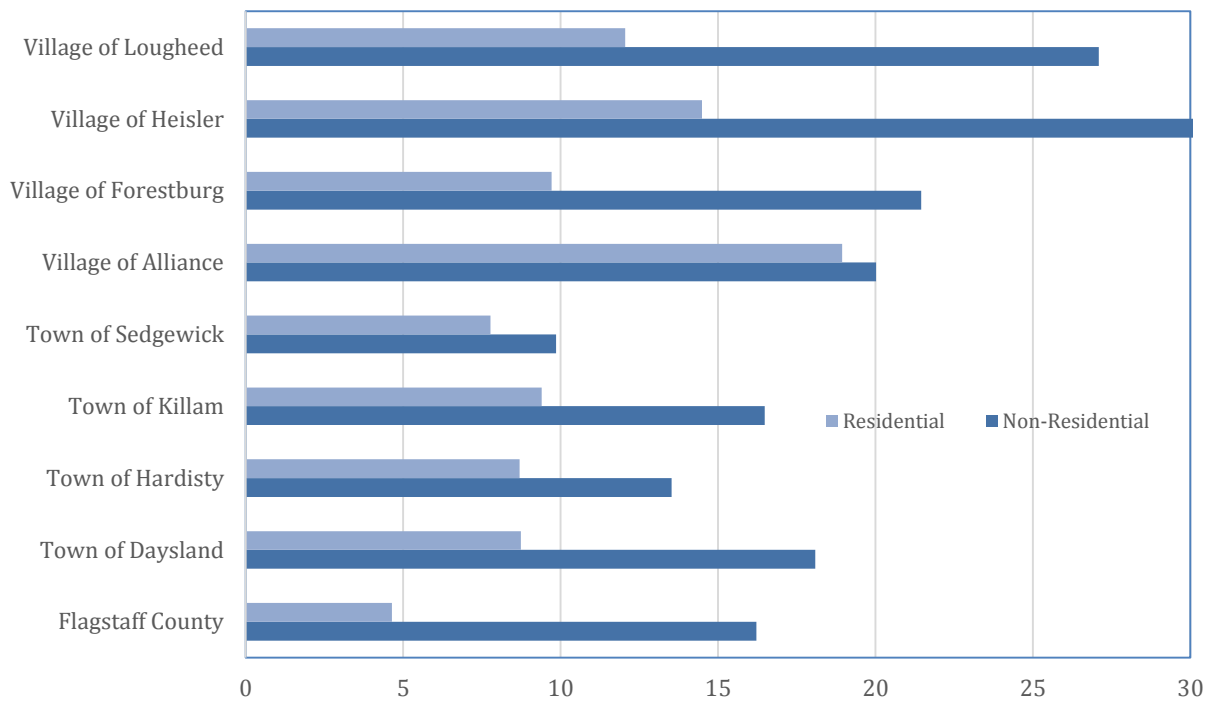
## NEIGHBOURING TAXES

Of the nine communities within Flagstaff County, Lougheed has the third highest residential taxes and the highest non-residential. Villages in Flagstaff County have significantly higher taxes than the County or the towns.

The tax rates of Flagstaff County are considerably lower – residential taxes are 56% lower and non-residential – 40% lower.

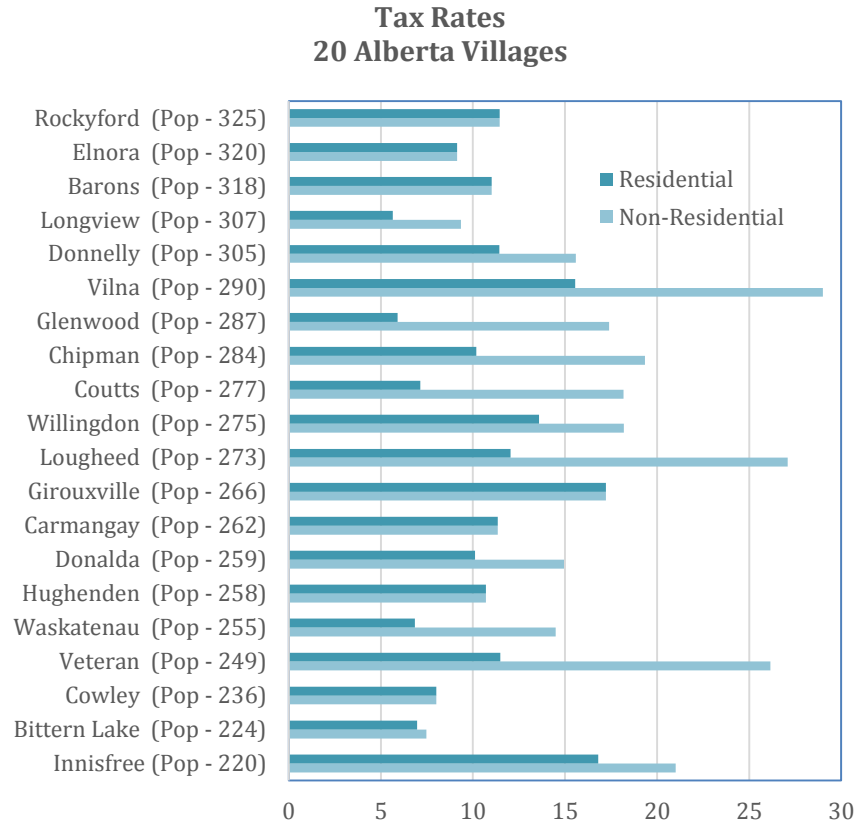


### Tax Rates Neighbouring Municipalities



## VILLAGE TAXES

Of twenty similar size villages in Alberta, Lougheed has the fifth highest residential taxes and the second highest non-residential. Lougheed taxes are higher than many other communities.



Further financial indicators are attached as appendix E.

#### **RECOMMENDATIONS:**

50. Action be taken immediately to complete the audit for 2015;
51. The CAO and Council ensure all recommendations contained in the auditor's management letter are implemented on an annual basis;
52. Present quarterly reports to Council on the 2016 Operating and Capital Budgets to include Income/Expense statements with Actual to Budget comparisons;
53. The CAO immediately implement an aggressive collection program for all outstanding utility accounts, in consultation with legal counsel, including the disconnection of water services if necessary;
54. The CAO meet personally with all property owners that have outstanding property taxes and implement a payment program;
55. The CAO review and update the Council Compensation Policy and there be no further amendments to Council's compensation without undertaking a complete review of the policy. Once the policy has been updated, the policy needs to be approved by Council;

Financial matters such as budget approval, bank reconciliations and completion of the year-end audit are being handled in an irregular, improper and improvident manner.

## **18. INFRASTRUCTURE**

Many of the roads within the Village are in need of repair. Some are even gravel service and there are water repairs that have not been properly repaired and completed.

The installation of water meters was approved on May 15, 2014 (Motion # 86/14) and to date the water meters are still not fully installed or operational.

The Public Works foreman stated during his interview that he felt the water treatment plant needed to be fully inspected, to ensure the plant meets all provincial regulations.

#### **RECOMMENDATIONS:**

56. The water meter project be completed and put into operation;
57. The Village of Lougheed undertake a complete infrastructure assessment study;

When it comes to infrastructure, Council has been improvident in the long-term infrastructure needs of the village.

## 19. FIRE DEPARTMENT

The Village of Lougheed is serviced by a volunteer fire department. In an interview with the acting Fire Chief (although not formally appointed by Council), he acknowledged that they do not have sufficient volunteers on the fire department. He also stated that the majority of the volunteers work outside of the community and are only available in evenings and on weekends.

While some of the equipment is nearing the end of its lifecycle, they do have sufficient equipment at this time, however the acting Fire Chief feels there is a need for additional and new bunker gear.

Pursuant to *Sec. 2.3 of the Fire Services Bylaw, Bylaw #743-15*, council shall appoint a Fire Chief. To date, council has not appointed a Fire Chief or acting Fire Chief.

At the April 21, 2016 Regular Council meeting, Council had a discussion on the appointment of a Fire Chief. The discussion centered on the working relationship and the possible disbandment of the Fire Department. This discussion should have happened in camera.

Pursuant to *Sec. 2.4 of the Fire Services Bylaw, Bylaw #743-15*, the Fire Chief is to advise the CAO of the “enrolment of new officers and members, as well as supporting documentation.” To date this has not been done.

Pursuant to *Sec. 2.8 of the Fire Services Bylaw, Bylaw # 743-15*, the Fire Chief may establish rules, regulations and policies “subject to ratification of the CAO” for the proper organization and administration of the Fire Department.

During the Council discussion at the April 21, 2016 meeting, Mayor Armer was concerned that she nor any members of council had been invited to any Fire Department meetings. Clearly this is not within the role of Council. Pursuant to *Sec. 2.9 of the Fire Services Bylaw, Bylaw #743-15*, the Fire Chief has complete responsibility and authority over the Fire Department, subject to the direction and control of the CAO. There should be no interaction between Council and the Fire Department, other than questions of a service delivery nature to the Fire Chief during budget deliberations.

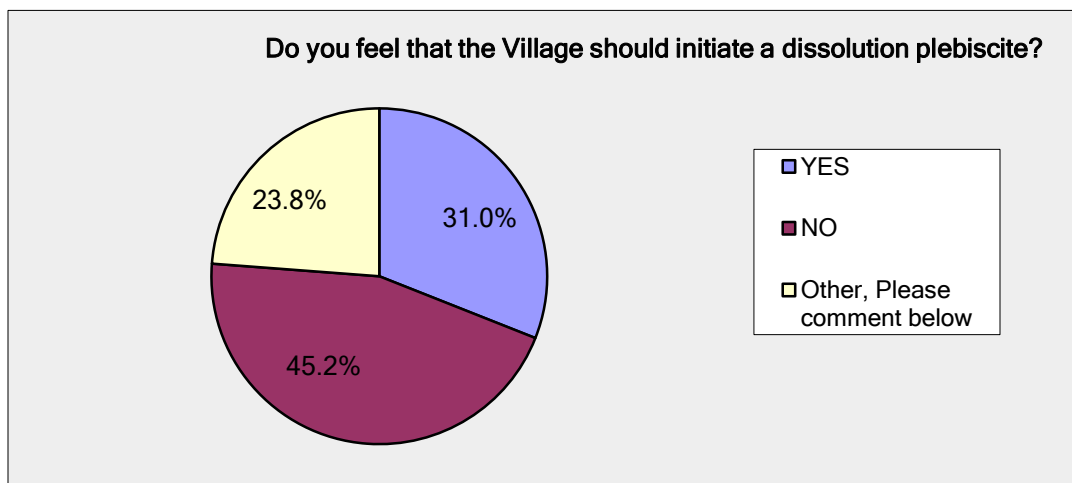
#### RECOMMENDATIONS:

58. Council appoint a Fire Chief pursuant to the Fire Services Bylaw #743-15;
59. Council ensure that sufficient funding be made available for up to date bunker gear;
60. The CAO meet with the Fire Chief and implement the necessary procedures for the notification and the enrolment of new officers and members;
61. The Village of Loughheed undertake a risk analysis and possible liability exposure of the shortcomings of the Fire Department;

By replacing a portion of equipment (i.e. bunker gear) on an annual basis the costs are spread out over the long term, rather than having to replace everything every five years. As a result, budgeting becomes much more difficult with the big financial hit for new bunker gear every five years. Council has been improvident to date when dealing with the Fire Department.

## 20. DISSOLUTION

A question was included in the resident survey as follows: “Do you feel that the village should initiate a dissolution plebiscite?”



#### RECOMMENDATIONS:

62. Council request that the Minister undertake a viability review for the Village of Loughheed;

Dissolution does not mean a community loses its identity. Dissolution means that Flagstaff County would be responsible for the delivery of services and the collection of the property taxes.

## 21. CONCLUSION

The inspection identified a number of areas where there are deficiencies and/or concerns, of which some are more serious than others:

- Pecuniary interest
- Conduct of Council and interference in administrative/operational matters
- Lack of record retention and attention to detail in Council minutes
- Liability issues
- Code of Conduct
- Abuse and bullying of staff
- Infrastructure deficiency

Some of the deficiencies are significant; however, all of the deficiencies identified should be viewed as an opportunity for improvement. Council needs to embrace the recommendations and move forward with an effort to provide good governance and leadership, abandoning their interference in administrative/operational matters. The internal conflicts need to be left at home and Council needs to start working as a team.

Municipal inspections assess a municipality to determine if the matters of concern identified by the Inspector fall within the categories of irregular, improper or improvident by Council or administration. These terms, as applied to a municipality can be defined as:

*IRREGULAR* - Not according to established law, method, or usage, rules or to established principles.

*IMPROPER* - Not suitable, unfit, not suited to the character, time and place.

*IMPROVIDENT* - Demonstrating want of care and foresight in management.

In the view of the Inspector, some of the matters identified, which need to be addressed by Council or administration, fall within the categories of irregular, improper or improvident.

## 22. APPENDICES

### APPENDIX A - VILLAGE OF LOUGHEED RESIDENT SURVEY

#### **Questionnaire for the Residents of Lougheed – Municipal Inspection 2016**

##### Statement of Confidentiality

*This document and information collected is confidential. No part of this document and / or information may be disclosed in any manner without the prior written consent of Alberta Municipal Affairs.*

**Resident Name:**

**Interview Location:**

1. How long have you lived in Lougheed?
2. What is the biggest challenge facing the Village Council?
3. Has Mayor and Council done a good job of managing and leading the Village?
4. Does Council work collaboratively as a group?
5. Should the Village initiate a dissolution plebiscite?
6. Does the Village have a good working relationship with the MD of Flagstaff and the Town of Hardisty?
7. Has the Village Administrator done a good job for the Village?
8. Are you aware of any harassment of Village staff?
9. Do you feel that you get good value for your tax dollars?
10. Are you satisfied with the service that the Village provides?

## APPENDIX B - VILLAGE OF LOUGHEED BUSINESS SURVEY

### **Questionnaire for the Businesses of Lougheed – Municipal Inspection 2016**

#### Statement of Confidentiality

*This document and information collected is confidential. No part of this document and / or information may be disclosed in any manner without the prior written consent of Alberta Municipal Affairs.*

**Business Name:**

**Person Interviewed:**

**Title:**

**Interview Location:**

1. How long have you operated your business in Lougheed?
2. Are you a resident of Lougheed, and, if so, how long have you lived here?
3. What is the biggest challenge facing the Village Council?
4. Has Mayor and Council done a good job of managing and leading the Village?
5. Does Council work collaboratively as a group?
6. Should the Village initiate a dissolution plebiscite?
7. Does the Village have a good working relationship with the MD of Flagstaff and the Town of Hardisty?
8. Has the Village Administrator done a good job for the community?
9. Are you aware of any harassment of Village staff?
10. Do you feel that you get value for your tax dollars?
11. Are you satisfied with the services that the Village provides?
12. In your opinion, are there any improvements that the Village should make?



## APPENDIX C - VILLAGE OF LOUGHEED ELECTED OFFICIALS SURVEY

### **Questionnaire for the Elected Officials of Lougheed – Municipal Inspection 2016**

#### Statement of Confidentiality

*This document and information collected is confidential. No part of this document and / or information may be disclosed in any manner without the prior written consent of Alberta Municipal Affairs.*

**Elected Official Name:**

**Interview Location:**

1. How long have you lived in Lougheed?
2. When were you elected to Village Council?
3. What is the biggest challenge facing the Village?
4. Could you explain the roles and responsibilities of an elected official?
5. Could you explain the role and responsibilities of the Chief Administrative Officer (CAO)?
6. Who does staff report to in the Village?
7. Do you have a good understanding of governance principles?
8. Does Council work together as a team?
9. Have you signed the Code of Conduct?
10. Do you have any issues with staff (past or present)?
11. Do you have any recommendations for improvements that the Village could make?
12. What services does the MD of Flagstaff FCSS provide to the Village residents?

## APPENDIX D - VILLAGE OF LOUGHEED STAFF SURVEY

### **Questionnaire for the Staff of Lougheed – Municipal Inspection 2016**

#### Statement of Confidentiality

*This document and information collected is confidential. No part of this document and / or information may be disclosed in any manner without the prior written consent of Alberta Municipal Affairs.*

**Staff Name:**

**Interview Location:**

1. How long have you lived in Lougheed and area?
2. When did you start working for the Village?
3. What is the biggest challenge facing the Village Administration?
4. Who does staff report to in the Village?
5. Do you have any issues with staff (past or present)?
6. Do you have any recommendations for improvements that the Village could make?

## APPENDIX E - FINANCIAL AND BUDGET APPENDICES

### FINANCIAL INDICATORS

	For the year ended December 31				
	2016	2015	2014	2013	2012
Assets to liabilities	n.a.	n.a.	822.5%	659.0%	776.9%
Financial assets to liabilities	n.a.	n.a.	224.9%	171.2%	167.0%
Net assets to revenue	n.a.	n.a.	61.3%	47.9%	35.8%
Net assets to assessment	n.a.	n.a.	3.1%	2.2%	1.8%
Accumulated surplus to assessment	n.a.	n.a.	18.1%	17.4%	18.6%
Expenses to assessment	n.a.	n.a.	3.7%	4.1%	4.0%
Debt charges to revenue	n.a.	n.a.	0.5%	0.8%	1.1%
Net book value to cost of capital	n.a.	n.a.	55.7%	56.4%	57.9%
Own source revenue to assessment	n.a.	n.a.	3.5%	3.4%	3.8%
Government transfers to revenue	n.a.	n.a.	31.5%	26.7%	25.3%
Total debt to provincial limit	n.a.	n.a.	6.3%	8.1%	14.0%
Debt servicing to provincial limit	n.a.	n.a.	6.3%	13.0%	39.9%

### KEY FINANCIAL AMOUNTS

	For the year ended December 31				
(\$000s)	2016	2015	2014	2013	2012
Taxable assessment	n.a.	n.a.	16,497	15,843	14,315
Cash	n.a.	n.a.	629	665	504
Investments	n.a.	n.a.	0	0	0
Financial assets	n.a.	n.a.	929	844	658
Long-term debt	n.a.	n.a.	60	75	133
Liabilities	n.a.	n.a.	413	493	394
Non-financial assets	n.a.	n.a.	2,468	2,405	2,403
Total revenue	n.a.	n.a.	842	733	738
Total expenses	n.a.	n.a.	615	645	577
Interest on long-term debt	n.a.	n.a.	4	6	8
Government transfers	n.a.	n.a.	265	196	187
Capital assets net book value	n.a.	n.a.	2,467	2,405	2,403
Capital assets cost	n.a.	n.a.	4,427	4,263	4,153
Investment in capital assets	n.a.	n.a.	2,407	2,329	2,270
Total debt limit	n.a.	n.a.	948	926	947
Total debt	n.a.	n.a.	60	75	133
Debt servicing limit	n.a.	n.a.	158	154	158
Debt servicing	n.a.	n.a.	10	20	63

## CAPITAL ASSETS – FINANCIAL INDICATORS

	For the year ended December 31				
	2016	2015	2014	2013	2012
Buildings	n.a.	n.a.	51.7%	53.6%	56.0%
Engineered structures	n.a.	n.a.	56.6%	58.1%	59.7%
Machinery and equipment	n.a.	n.a.	53.9%	46.2%	43.2%
Vehicles	n.a.	n.a.	35.6%	38.7%	39.9%

## HISTORICAL TAX RATES AND ASSESSMENT

	For the year ended December 31		
<b>Village of Lougheed</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Municipal – residential	12.0479	12.7400	12.7400
Municipal - non-residential	27.0990	31.2073	31.2073
Education - residential	2.4995	2.5269	2.5079
Education - non-residential	3.5693	3.7002	3.3340
Seniors – residential	0.2399	0.2468	0.2078
Seniors - non-residential	0.2399	0.2557	0.2149
Total assessment	16,497,194	15,843,430	14,315,442
Residential assessment	12,649,874	12,015,160	11,027,402

## COMPARATIVE COUNTY TAX RATES

*Most of the villages within Flagstaff County have significantly higher tax rates than the county and towns.*

	For the year ended December 31, 2015					
	<b>Municipal Resident</b>	<b>Education Resident</b>	<b>Senior Resident</b>	<b>Municipal Non-Resident</b>	<b>Education Non-Resident</b>	<b>Senior Non-Resident</b>
Flagstaff County	4.6468	2.4227	0.2391	16.2249	3.6471	0.2391
Town of Daysland	8.7351	2.1945	0.2161	18.0934	3.4509	0.2161
Town of Hardisty	8.7010	2.3500	0.2210	13.5293	3.2900	0.2253
Town of Killam	9.3959	2.4450	0.2363	16.4874	3.6443	0.2363
Town of Sedgewick	7.7700	2.3523	0.2276	9.8600	3.5446	0.2276
Village of Alliance	18.9420	2.5050	0.2370	20.0180	3.5810	0.2370
Village of Forestburg	9.7128	2.4349	0.0232	21.4518	3.4221	0.0232
Village of Heisler	14.4950	2.2350	0.2100	35.1640	2.8110	0.2100
Village of Lougheed	12.0479	2.4995	0.2399	27.0990	3.5693	0.2399

## COMPARATIVE VILLAGE TAX RATES

*When compared to a sample of other Alberta villages, the tax rates of the Village of Lougheed are higher than most.*

	For the year ended December 31, 2015					
	<b>Municipal Resident</b>	<b>Education Resident</b>	<b>Senior Resident</b>	<b>Municipal Non-Resident</b>	<b>Education Non-Resident</b>	<b>Senior Non-Resident</b>
Innisfree (Pop-220)	16.7990	2.5961	0.1660	21.0040	3.1904	0.1660
Bittern Lake (Pop-224)	6.9740	2.5000	-	7.4720	3.6910	-
Cowley (Pop-236)	8.0109	2.5070	-	8.0109	3.7690	-
Veteran (Pop-249)	11.4870	2.5120	0.3250	26.1570	3.2480	0.3250
Waskatenau (Pop-255)	6.8500	2.5390	0.7390	14.4980	4.1890	0.7390
Hughenden (Pop-258)	10.6996	2.5472	0.2361	10.6996	3.6994	0.2361
Donalda (Pop-259)	10.1180	2.6600	0.2933	14.9480	2.7500	-
Carmangay (Pop-262)	11.3570	2.5830	0.1700	11.3570	3.9670	0.1700
Girouxville (Pop-266)	17.2230	2.3560	0.1560	17.2230	3.5600	0.1560
Lougheed (Pop-273)	12.0479	2.4995	0.2399	27.0990	3.5693	0.2399
Willingdon (Pop-275)	13.5953	2.4520	0.5023	18.1953	3.9676	0.5023
Coutts (Pop-277)	7.1411	2.4500	0.3550	18.1831	3.6760	0.3550
Chipman (Pop-284)	10.1900	2.4800	0.3730	19.3450	3.3590	0.3730
Glenwood (Pop-287)	5.9039	2.4779	0.2067	17.4000	3.7351	0.2067
Vilna (Pop-290)	15.5500	2.4420	0.7080	29.0000	3.9680	0.7080
Donnelly (Pop-305)	11.4299	2.3185	0.1532	15.5807	3.5436	0.1532
Longview (Pop-307)	5.6414	2.5430	0.1346	9.3552	3.5282	0.1346
Barons (Pop-318)	11.0264	2.5831	0.1328	11.0264	3.3899	0.1328
Elnora (Pop-320)	9.1353	2.5037	-	9.1353		3.5781
Rockyford (Pop-325)	11.4516	2.2993	0.0602	11.4516	3.4502	0.0602

## REFERENCES

- 2015 Municipal Affairs Population List
- Alberta Municipal Affairs – Municipal Profiles
- Alberta Municipal Government Act - MGA
- Village of Loughheed Audited Financial Statements
- Brian King Professional Corporation (Village of Loughheed Auditor)
- Statement of Recommended Practice - Indicators of Financial Condition (Public Sector Accounting Board).