

VILLAGE OF HILL SPRING VIABILITY PLAN

August 2016

A report regarding the viability of the Village of Hill Spring
by the Village of Hill Spring Viability Review Team

CONTACT

If you have questions, comments or concerns regarding the Village of Hill Spring Viability Review, please contact the Village of Hill Spring Viability Review Team at:

Harold Johnsrude
Chairperson
Harold Johnsrude Consulting Inc.

Ryan Edwards
Municipal Sustainability Advisor (Project Lead)
Alberta Municipal Affairs

Email: municipalsustainability@gov.ab.ca

Toll-free in Alberta by dialing: 310-0000 and entering 780-427-2225

Viability Review Team

Village of Hill Spring Viability Review

Alberta Municipal Affairs

©2016 Government of Alberta

www.municipalaffairs.alberta.ca

Print Version ISBN No.: 978-1-4601-2992-0

Digital (PDF) Version ISBN No.: 978-1-4601-2993-7

Printed in Canada

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
PROJECT CHRONOLOGY	5
HISTORY AND DEMOGRAPHICS	6
BACKGROUND AND PROJECT INITIATION.....	6
VIABILITY DETERMINATION AND VIABILITY FACTORS.....	7
NEXT STEPS IN THE PROCESS	9
MINISTERIAL DIRECTIVES	9
PUBLIC VOTE.....	9
QUESTIONS	9
OPTIONS FOR HILL SPRING	10
OPTION 1. THE VILLAGE OF HILL SPRING REMAINS AS A VILLAGE BY ACCEPTING THE RECOMMENDATIONS FOUND WITHIN THE VIABILITY PLAN, INCLUDING ANY DIRECTIVES THAT MAY BE ISSUED BY THE MINISTER OF MUNICIPAL AFFAIRS.	11
OPTION 2. DISSOLVE THE VILLAGE OF HILL SPRING AND HILL SPRING BECOMES A HAMLET IN CARDSTON COUNTY.....	11
OTHER CONSIDERATIONS.....	12
POTENTIAL IMPACTS TO RESIDENTS	13
SUSTAINABLE GOVERNANCE	13
REGIONAL COOPERATION.....	15
OPERATIONAL AND ADMINISTRATIVE CAPACITY	16
MUNICIPAL FINANCES AND ACCOUNTING.....	18
PROPERTY TAXES AND ASSESSMENT.....	21
INFRASTRUCTURE	23
SERVICE DELIVERY AND RISK MANAGEMENT.....	27
COMMUNITY WELL BEING.....	29
APPENDIX A: PERFORMANCE ON KEY MEASURES	31
APPENDIX B: VIABILITY TEAM MANDATE AND DETERMINATION	32
APPENDIX C: FINANCIAL POSITION	33
APPENDIX D: ANNUAL REVENUES AND EXPENSES	34
APPENDIX E: PROJECTED REVENUES AND EXPENSES 2015-2020	36
APPENDIX F: PROJECTED FINANCIAL IMPLICATIONS	38
APPENDIX G: STAKEHOLDER SUMMARY	39
APPENDIX H: CHIEF ADMINISTRATIVE OFFICER AGREEMENT	41
APPENDIX I: WATER/ROAD SERVICES AGREEMENT	42
APPENDIX J: 10 YEAR CAPITAL PLAN	43
APPENDIX K: REFERENCES FROM THE <i>MUNICIPAL GOVERNMENT ACT</i>	45
APPENDIX L: SUMMARY OF VRT RECOMMENDATIONS	48

LIST OF TABLES

Table 1: Municipal Building Upgrades and Estimated Cost 25
Table 2: Municipal Sustainability Strategy Key Measures 31
Table 3: Financial Position (2015 – 2011) 33
Table 4: Accumulated Surplus (2015 – 2011) 33
Table 5: Operating Revenues and Expenses (2015 – 2011) 34
Table 6: Capital Transactions (2015 – 2011) 34
Table 7: Municipal Grants (2015 – 2011) 34
Table 8: Projected Operating Revenues and Expenses (2016 – 2020) 36
Table 9: Capital Reserves Required to Fund Village Infrastructure Projects (2016 – 2025) 37
Table 10: Capital Reserves Required to Replace Village Infrastructure (2026 – 2035) 37
Table 11: Property Tax Impact 38
Table 12: Projected Operating Financial Summary 38
Table 13: Participant Satisfaction 40
Table 14: High Priority Infrastructure Projects (2016 – 2025) 43
Table 15: Recommended Infrastructure Projects (2016 – 2025) 44

LIST OF FIGURES

Figure 1: Revenue Sources (2015 - 2011) 35
Figure 2: Expenses by Service Area, Excluding Amortization (2015 - 2011) 35

EXECUTIVE SUMMARY

Hill Spring is a small rural community nestled between the prairies and the foothills of southwestern Alberta located in Cardston County approximately 32 km west of the Town of Cardston and 43 km south-east of Pincher Creek.

In August 2014, the Village of Hill Spring council requested that the Minister of Municipal Affairs undertake a viability review for the village. A viability review is a process where a municipality's governance, finances, infrastructure and services are reviewed to determine whether changes to the municipality are required for the community to remain viable.

A Viability Review Team (VRT), a committee consisting of representatives from Municipal Affairs, the Village of Hill Spring, Cardston County and municipal associations¹, was established to determine if the Village of Hill Spring is viable, and develop a plan to address the factors contributing to the long-term viability of the village. The development of the viability plan included consultation with residents, businesses and Cardston County over the course of a year (Appendix B: Viability Team Mandate and Determination). During this time the VRT considered a number of factors including:

- the village's finances,
- municipal services,
- long-term planning of services and infrastructure needs,
- the current state of municipal infrastructure,
- community demographics,
- economic development and activity, and
- municipal structure and the Village of Hill Spring's relationship with Cardston County.

The purpose of the Hill Spring Viability Plan is to provide council, administration and the residents of Hill Spring an opportunity to discuss and debate the future of their village. This document outlines the village's current finances, governance, services and infrastructure. It also highlights the village's viability issues including limited non-residential assessment base, the declining population, increasing service costs, a high dependence on government grants, and the reliance on community volunteers to undertake tasks essential to operation of the village.

The VRT came to the determination that the Village of Hill Spring faces significant challenges and must take steps to improve the community's long-term viability. These steps include funding important infrastructure repairs and/or replacement, and determining the most affordable method of delivering municipal services. The outcomes of these decisions and those that follow could result in the village continuing with a detailed plan to address the current viability issues, or become part of Cardston County, where the priorities of the village would be evaluated equally among the other priorities of Cardston County.

As part of their mandate, the VRT developed the Village of Hill Spring Viability Plan complete with 32 recommendations (Appendix L: Summary of VRT Recommendations) aimed to address the long-term viability issues facing the village. In particular, the community of Hill Spring must consider if the implementation of the needed changes is feasible, including the potential for increased property taxes, user fees, and/or changes to services; or if the financial and social costs are too extensive, driving towards consideration to become a hamlet in Cardston County.

PROJECT CHRONOLOGY

¹ Alberta Association of Municipal Districts and Counties, Alberta Rural Municipal Administrators Association, Alberta Urban Municipalities Association, and the Local Government Administration Association

In December 2014, prior to undertaking the viability review, a screening was conducted to confirm if the issues facing the village were viability related. Based on this work and the past performance on the Key Measures of Sustainability (Appendix A: Performance on Key Measures), a viability review was initiated.

History and Demographics

The median age of residents in the Village of Hill Spring is 52 years, with 55 per cent of the residents over the age of 50 and a quarter of the residents under the age of 19. Comprised of a mixture of young families and retired couples, the village recorded a 13 per cent decrease in population from 1995-2015. The current population of the village is 186.

Hill Spring was named by residents of the community for the number of water springs that flowed from the nearby hill. The area was historically known by cowboys and settlers as “Spring Hill,” however, since that name already existed in Alberta, the name Hill Spring was chosen when its post office opened in 1911. Originally established on ranchland purchased by the Mormon Church for \$6.00 per acre, Hill Spring became an incorporated village in 1961 and the Hill Spring Post Office remains one of the smallest operating in Canada today.

Many of the community’s residents are farmers and ranchers, work for Parks Canada, the Waterton Shell Gas Plant or commute to the towns of Cardston or Pincher Creek. In addition to the post office, there is a small general store, a community centre, and a junior high school. Sixteen acres of municipally owned land is available for development and in 2010, the village constructed a \$2.1 million dollar water treatment plant.

Background and Project Initiation

Over the past several years, village council and administration have requested assistance from Municipal Affairs. In August 2008, the Minister decided to conduct a municipal inspection of Hill Spring at the request of village council. At the same time, the Minister received a petition from electors of the village requesting an inquiry. The inspection report, presented in March 2009, found that in some instances the village had been managed in an irregular, improper or improvident manner. The report outlined 50 recommendations on how the governance and operations of the village could improve. The report also recommended that following the completion of the 2009 financial audit, Municipal Affairs undertake a dissolution study for the village.

In June 2010, the Minister decided to undertake a dissolution study for the village as the 2009 financial audit could not be completed. The dissolution study was to commence after the 2010 municipal elections. In December 2010, the Minister appointed an Official Administrator (OA) since the village did not have a Chief Administrative Officer (CAO) and there were concerns regarding the village’s financial reporting and the impending dissolution study.

In March 2011, the Minister rescinded the appointment of the OA as the village was in compliance with the *MGA* regarding its financial requirements and had contracted CAO services from the Town of Raymond. With the contracting of administrative services, the village was capable of providing the information required for the upcoming dissolution study. At the request of village council the Minister postponed the dissolution study until September 2011. In August 2011, Minister Goudreau sent a letter to the village indicating that the recent actions taken by village council had prompted him not to proceed with a dissolution study at that time.

In August 2014, the Village of Hill Spring council requested that the Minister of Municipal Affairs undertake a viability review for the village. Prior to undertaking, this review a viability review screening was conducted in December 2014 to assess and confirm the issues facing the village have long-term implications.

A review of the village’s performance on the key measures of sustainability (Appendix A: Performance on Key Measures), indicates that the village has continued to struggle to meet the targets established under the Municipal Sustainability Strategy (<http://municipalaffairs.alberta.ca/municipal-sustainability-strategy>). When the Village of Hill Spring was compared to similar villages, it was noted that while property assessment and administrative costs per capita were higher, property taxes and user fees per capita were average. In addition, non-residential assessment, tax collection rates and

total expenses per capita were lower when compared to similar villages. The village remains in a good cash position, with no long-term debt and historically has been very successful securing grants from senior levels of government.

Based on the findings of the screening and the performance on key measures (Appendix A: Performance on Key Measures), a viability review was initiated. In July 2015, the Village of Hill Spring Viability Review Team (VRT) was established. The VRT consisted of elected and administrative officials from the Village of Hill Spring and Cardston County as well representatives from the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Alberta Rural Municipal Administrators Association and the Local Government Administration Association (Appendix B: Viability Team Mandate and Determination).

Viability Determination and Viability Factors

Over the next several months, the VRT met to discuss what it means to be a viable community. The following list is a reflection of the concerns and questions that the VRT considered in reviewing the viability of the Village of Hill Spring:

- Can the village pay for current operations and future upgrades to its municipal facilities?
- Can the village sustain the services it offers and the infrastructure within the community?
- Is the village able to maintain/anticipate increases to the cost of providing municipal services?
- Can the village maintain/anticipate capital improvements that may be required and how these are funded?
- What is the potential of the community and its ability to attract residents and businesses?
- How will the community sustain and/or diversify its population and demographics?
- What will be the role of the province to ensure that rural Alberta communities survive?
- How will the village maintain its incorporated status?
- Can the village be progressive and competitive, but still be affordable?
- Can the village diversify the investment base enough to attract residents and business?
- Where will the community be in the in the future and what will be the financial impact on residents?

To answer these questions, the VRT gathered information regarding the village's finances, governance, infrastructure and how programs and services were delivered. On September 15, 2015, the VRT came to the determination that the Village of Hill Spring was trending towards non-viability due to the following reasons:

- The village has very few non-residential (business) tax payers and the lack of development and growth in the municipality has led to a greater dependence on the village's residential tax base.
 - *Non-residential properties include commercial and industrial businesses (such as offices, banks, retail outlets, restaurants, hotels, and greenhouses, etc.). Diverse commercial and industrial sectors help in attracting residents and encourages further business development. The property tax rate is generally higher on non-residential properties than residential properties because it is generally believed these properties have a greater capacity to pay taxes than residential properties because of their ability to raise revenue for the property owners. When a higher tax rate is applied to non-residential properties, the tax burden on residential properties is reduced. As there are few non-residential properties, the village does not have this option and, therefore, the residents bear almost all of the tax burden.*
- The village has continued to operate and provide the required services to its residents; however, as the population declines and the costs of providing these services rise, residents may be faced with large tax increases.
 - *The cost of providing services in the village has increased by \$2,827 from \$235,776 in 2011 to \$238,603 in 2015. Although the population in the village has remained consistent over the same period, since 1995 the population of the village has decreased by 13 per cent. With an aging population (more than 50 per cent over 55 years of age), and an infrastructure deficit of \$3.94 million over the next 10 years (Appendix J: 10 Year Capital Plan), residents could face significant tax increases by 2020 (Appendix F: Projected Financial Implications).*

- Although administrative agreements with neighbouring villages have increased the organizational capacity within the village, the ability to attract and retain qualified personnel, in the absence of these agreements, remains in question.
 - *The Municipal Government Act (MGA) states that every council must appoint a Chief Administrative Officer (CAO). Since March 2011, the village has contracted CAO services from either the Town of Raymond or the Village of Glenwood. In both instances, these opportunities were funded from grants received from the Government of Alberta. The Regional Collaboration Program in 2011/2012 provided \$248,631 to the Town of Raymond to pilot a regional approach to shared municipal administration and capacity building with the Village of Hill Spring; and the Alberta Community Partnership Program in 2014/2015 provided \$280,500 to support the Village of Hill Spring with conducting a shared administrative services pilot with the Village of Glenwood (Table 7: Municipal Grants (2015 – 2011)). Without the assistance of these grants and the ability to share CAO services with a neighbouring municipality, it is unlikely that the village would be able to attract and retain the services of a qualified part-time administrator for \$30,000 per year, which is Hill Spring's annual cost share of the CAO (Appendix H: Chief Administrative Officer Agreement).*
- For the past few years, operating grants from senior levels of government have declined. The heavy reliance on these grants for continued village operations suggests that the village will need to increase revenues through taxation or further reduce service levels to balance future budgets.
 - *Operating grants are monies provided by senior levels of government to assist municipalities with covering some of the administrative expenses, or allowing municipalities to undertake special projects that they would not otherwise have been able to complete (e.g. review of bylaws and policies). In 2014, the Municipal Sustainability Initiative (MSI) operating budget was reduced by 40% and Hill Spring's operating allocation was reduced proportionately. Hill Spring's 2013/14 allocation was \$36,172, when compared to the 2016/17 allocation of \$23,046, the result is a reduction of \$13,126 or 36 per cent.*
- The continued reliance on volunteers to assist with village operations, although well intentioned, exposes the village to increased liability and risk. Subsequently, hiring and/or providing the required training for these individuals may significantly increase the cost of providing these services.
 - *The village and surrounding community have a long-history of volunteerism. In the past, volunteers have been used to clear snow from streets, flush irrigation lines, mow grass and maintain village facilities. The work undertaken by volunteers has reduced the expenses that the village would have incurred had volunteers not been used. However, without proper risk management procedures in place to assess, manage or mitigate potential risks to volunteers, including providing appropriate training, the municipality is potentially exposing itself to increased liability and risk.*

In November, 2015, the VRT held a public meeting in Hill Spring where approximately thirty individuals provided feedback regarding the future viability of the village. Additional information on the feedback gathered from meeting participants is provided in Appendix G: Stakeholder Summary.

Following the public meeting in Hill Spring, the VRT chair and project lead met with village council to discuss the challenges and opportunities facing the village. It was during this time that village council provided their reasons as to why council felt a viability review was necessary of which included concerns regarding tax increases, condition of village infrastructure and the ability to attract and retained qualified personnel. In this meeting, village council acknowledged the current reliance on government grants, however, committed to finding a permanent solution to ensuring the village remained viable. Having explored various options on its own, village council requested the viability review to seek input from urban/rural leaders and Municipal Affairs to generate ideas for the future of the village.

In March 2016, the VRT chair and project lead met with Cardston County to discuss the challenges and opportunities facing the Village of Hill Spring and what role, if any, the county could assume if the village was to remain an incorporated entity or if the village dissolved what changes could the residents expect. Some of this information has been included within the body of the report and is subject to change, as more information becomes known.

Following the review of the municipal documents, meeting with the respective councils and area residents, the VRT completed their information gathering and analysis. . As part of their mandate, the VRT has developed a viability plan with 32 recommendations (Appendix L: Summary of VRT Recommendations) that would help to address the viability issues facing the village. The recommendations provided by the VRT are in the areas of governance, regional cooperation, operational and administrative capacity, finances and accounting, property taxes and assessment, infrastructure, service delivery and risk management and community well-being. This document presents the VRT's findings including how municipal services are delivered to residents and the potential changes and impacts that residents may face in the future.

NEXT STEPS IN THE PROCESS

A copy of this report has been mailed to village residents and will be presented to Village Council on September 19, 2016 at 7:00pm, where village council will choose to either:

- a) Remain as a village and accept the recommendations found within the Viability Plan, and any directives that may be issued by the Minister of Municipal Affairs, or
- b) Proceed with a public vote where the electors will decide from the following two options:

Option 1: Remain as a village and accept the recommendations found within the Viability Plan, including any directives that may be issued by the Minister of Municipal Affairs, or

Option 2: Dissolve the village and the Village of Hill Spring becomes a hamlet in Cardston County.

Ministerial Directives

In the event of a decision by village council to remain a village and electors choose not to petition under Section 232 of the *Municipal Government Act*, the Minister of Municipal Affairs will issue directives requiring village council and/or administration to implement the recommendations found within this report.

Public Vote

In the event of a decision by village council to proceed with a public vote the Minister of Municipal Affairs has the option to appoint an Official Administrator to oversee the administration of the village until the results of the public vote are known. The VRT chair and Municipal Affairs staff would host a public information session prior to the public vote to provide residents with an opportunity to ask questions about the viability plan options and the vote process.

A notice of the date and time for a public information session, as well as the date and location of the vote would be mailed to residents of the village. Municipal Affairs staff, not affiliated with the Hill Spring Viability Review, would be appointed as the returning officer and deputy returning officers for the vote. The date of the vote would be determined based on requirements in the *Local Authorities Election Act*, *Municipal Government Act* and the *Interpretation Act*.

Questions

For further information regarding the Hill Spring Viability Plan, please contact Ryan Edwards, Municipal Sustainability Advisor at municipalsustainability@gov.ab.ca or by calling 780-427-2225.

OPTIONS FOR HILL SPRING

The following pages within the report provide details on the Village of Hill Spring's finances and governance, as well as programs and services that are offered to residents. It is based on information collected throughout the viability review process and is reflective of the most current information available at the time of writing.

The structure of this document reflects the spirit of the Government of Alberta's Municipal Sustainability Strategy and the Viability Review Team's approach in determining the Village of Hill Spring's long-term viability. The remainder of the document explores the following key areas that were considered of greatest importance to the VRT:

- Sustainable Governance
- Regional Cooperation
- Operational and Administrative Capacity
- Municipal Finances and Accounting
- Property Taxes and Assessment
- Infrastructure
- Service Delivery and Risk Management
- Community Well Being

Within each of these sections, an overview of the current state of the village is presented, along with the potential impacts that residents may face should the village remain as an incorporated entity or dissolve and become a hamlet. At the end of each section, the VRT has provided a number of recommendations that should the village remain, the Minister of Municipal Affairs may require village council and/or administration to implement.

The following definitions are provided below for your reference when reviewing this document.

Property assessment is the process of assigning a dollar value to property for taxation purposes and is used to distribute the tax burden among property owners in a municipality.

Taxation is the process of applying a tax rate to the assessed value of a property to determine the taxes payable by the owner of that property.

Property taxes are calculated by multiplying the assessed value of a property by the tax rates that are set by the village's property tax bylaw. Municipalities levy property taxes for municipal purposes and to fund requisitions from other governing bodies.

Equalized assessment is the means of comparing property wealth in a uniform manner for all municipalities. Alberta uses an ad valorem assessment and tax system where property taxes are based on wealth and wealth is measured by the value of property expressed as an assessment. Equalized assessment is used in the calculation of cost-sharing programs such as education funding. The value is calculated by Alberta Municipal Affairs and it may differ from the property assessment recorded in the municipal tax bylaw.

Accumulated surplus is that amount by which all assets (financial and non-financial), exceed all liabilities. An accumulated surplus indicates that a government has net resources (financial and physical) that can be used to provide future services.

Net Financial Assets (Debt) is the difference between the sum of all of a government's financial assets and the sum of all of its liabilities.

Option 1. The Village of Hill Spring remains as a village by accepting the recommendations found within the Viability Plan, including any directives that may be issued by the Minister of Municipal Affairs.

This option would allow Hill Spring to continue as a village but would require significant changes to its finances and operations in order for the village to achieve viability. These adjustments may require reductions in village services, increases to utility fees and other user charges, as well as potential increases in property taxes. In considering this option, the VRT acknowledged the following:

Potential Benefits to Remaining an Incorporated Entity

- Staff serve as a local point of contact and are available to provide municipal services in the community.
- Local decision-making is maintained and is based on priorities determined by residents of the village.
- Staff can provide timely responses to residents, emergencies and day-to-day concerns.

Potential Challenges to Remaining an Incorporated Entity

- There may be difficulty in finding and encouraging people to run for political office as well as retaining and attracting qualified staff.
- There may be a significant increase in taxes, user charges and utility fees to continue to offer services to residents.
- There may be future reductions in the services provided by the village to the residents due to the cost of providing the service(s).
- If major infrastructure repairs are required, the village may not have the ability to cover the costs without borrowing. These repairs may exceed the village's borrowing limit.
- The village may have potential challenges in funding the necessary reserves to cover infrastructure repairs and address situations when critical failures may arise.
- The village may face increased costs and additional resourcing related issues when planning and implementing the recommendations within the report.

If this option is chosen by either village council or village electors, the Minister of Municipal Affairs may issue directives, requiring village council to implement the recommendations included within this report, and any other action the Minister considers necessary.

Option 2. Dissolve the Village of Hill Spring and Hill Spring becomes a hamlet in Cardston County

This option would see the orderly dissolution and wind-down of village operations. Hill Spring would become a hamlet in Cardston County. Village council would be dissolved and village residents would be represented by the county councillor in Division 4. All of the village's assets, liabilities, functions and obligations would be transferred to the county. In considering this option, the VRT acknowledged the following:

Potential Benefits to Becoming a Hamlet in Cardston County

- More efficient delivery of services would be achieved due to the county's economy of scale.
- Residents would have continuity in how the services are provided.
- As indicated by the tax rates set by the county, property owners in Hill Spring could have lower taxes if county rates were used; however, special taxes and levies may be applied to residents to cover hamlet specific projects (Appendix K: References from the *Municipal Government Act*).

Potential Challenges to Becoming a Hamlet in Cardston County

- Special taxes and levies may be applied to hamlet residents to cover local improvements.
- Service levels could be different from those currently experienced within the village.
- There may be increases to user charges and utility fees for municipal services.

- There will be a loss of local decision making as hamlet decisions are made by county council and decisions regarding Hill Spring will be evaluated along with other county priorities.
- The village partners with other municipalities for grants available for intermunicipal projects; becoming a hamlet would exclude the ability to partner on these grant applications.
- There is no special funding for hamlets; Cardston County would be responsible for completing grant applications and undertaking projects within the hamlet.
- Residents may face a longer response time as the distance to the village is greater for county vehicles; however, response from emergency vehicle will remain the same.

If this option is chosen, the Minister of Municipal Affairs must recommend to the Lieutenant Governor in Council that the village be dissolved. The Lieutenant Governor in Council may approve the Minister's recommendation, and if so, the Order in Council (OC) would indicate the date of dissolution.

On the date of dissolution, Cardston County would be responsible for providing services and addressing the ongoing needs of Hill Spring residents. At that point, Cardston County would be able to determine how services would be delivered and how the revenue to provide these services would be raised. If the costs of providing municipal services are higher in the former village than other parts of the county, or if infrastructure repairs/replacements are required, under the *Municipal Government Act* (Appendix K: References from the *Municipal Government Act*), Cardston County would be able to assign a separate tax rate or charge a special levy to raise the required revenues for the hamlet..

Other Considerations

In exploring the various options to ensure the long-term viability of the municipality, the Village of Hill Spring council presented the VRT with a potential option for improving the long-term viability of the community. The option was a Satellite Community Model which would result in a semi-amalgamation with other municipalities within the area. Included in this model were references to create a specialized municipality as defined with the *Municipal Government Act (MGA)*. After reviewing this document the VRT determined that it would not meet the legislative requirements, that it was not within the mandate of the VRT (Appendix B: Viability Team Mandate) and that the Minister would not have any authority to mandate another municipality to implement these changes. The VRT suggested that, if the village wished to pursue this option, that they should do so independent of the viability review process.

POTENTIAL IMPACTS TO RESIDENTS

Sustainable Governance

HOW HILL SPRING OPERATES TODAY

- Village council consists of five elected officials. The mayor is appointed among elected officials to serve a four-year term. Village council holds regular meetings on the third Tuesday of each month in the municipal office.
- In 2007 and 2010, the village held elections; however, in 2013 village council was acclaimed. In the 2016 by-election two village councillors were acclaimed. The next general municipal election will be held in 2017.
- As part of the budgeting process, the village identifies operational and capital priorities in a business plan that is updated annually. In 2015, the following strategic priorities were identified by council:
 - Complete Community Centre Revitalization
 - Roadway Update
 - Fibre Optic Network
 - Organizational Stability
 - Municipal Viability Review
 - Upgrade and Expand Municipal Utility Infrastructure
- The village makes public announcements and provides information to residents through a monthly newsletter. In addition, residents can find information, including village bylaws, policies and office hours at www.hillspring.ca.
- In 2016, administration started developing a volunteer policy. Development of this policy will help protect the village and its volunteers from liability should issues arise.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- The number of elected officials on council may or may not change. Residents would be encouraged to run for positions on village council.
- No changes are anticipated in the area of communications and community engagement.
- Village council would continue to develop bylaws and policies that govern the village. No bylaw changes are proposed at this time.
- Bylaw enforcement is ongoing and additional resources will be required to ensure bylaws are enforced.
- Village council would be encouraged to work closely with councils from the Village of Glenwood and Cardston County.
- The village should undertake an update of their land-use bylaw to ensure compliance with provincial legislation and that it has the flexibility to address future economic development opportunities.
- With upcoming changes to the *Municipal Government Act*, the village will be required to complete many new requirements, including a municipal development plan, intermunicipal development plans, an intermunicipal collaboration framework, and a public participation policy to name some.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Residents of Cardston County are represented by seven councillors, elected from seven electoral divisions, which are determined based on population and geographic area.
- Village council will dissolve and residents will become part of Division 4. In 2017, when the next municipal election occurs, hamlet residents would be eligible to run for Cardston County Council.
- Hamlet residents would receive information from Cardston County, updates posted on www.cardstoncounty.com, notices issued in the local newspaper and correspondence by regular mail.
- Village bylaws would continue to be enforced until

	<p>repealed or replaced. County council, as part of the transition, would review the village's bylaws and determine which bylaws would be repealed. Bylaw enforcement would be the responsibility of Cardston County.</p> <ul style="list-style-type: none">▪ Cardston County has indicated that the formation of a citizen's group would be supported, should dissolution occur.
--	---

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

1. Village council should complete an assessment of all new legislative requirements resulting from the review of the *Municipal Government Act*, and ensure all new requirements are planned and budgeted for including councillor training, a municipal development plan, an intermunicipal development plan and an intermunicipal collaboration framework.
2. All members of village council must take a "Roles and Responsibilities" course offered through Municipal Affairs within three months of this report being accepted by the Minister of Municipal Affairs.
3. Village council should undertake a bylaw review to ensure that existing bylaws are compliant with provincial legislation and that the bylaws are meeting the needs of the residents. This review should be within twelve months of the report being accepted by the Minister of Municipal Affairs.
4. Village council should encourage representation from the public to run in municipal elections by hosting information sessions on what it means to be an elected official and outlining the opportunities and challenges facing the municipality and how these align with the responsibilities of being an elected official.
 - If the next municipal general election in 2017 results in an acclaimed council and no election is conducted, village council should consider reducing representation from five councillors to three.
5. Village council should continue working with the economic development committee, ensuring that a clear mandate exists, the committee functions effectively, and that participation from other regional organizations is encouraged.

Regional Cooperation

HOW HILL SPRING OPERATES TODAY

- Hill Spring has a history of working cooperatively with Cardston County and neighbouring municipalities that has resulted in administrative and operational support.
- In 2015, Chief Administrative Officer (CAO) services are contracted from the Village of Glenwood through an Alberta Community Partnership Grant (Appendix H: Chief Administrative Officer Agreement).
- The village also has a joint services agreement with Cardston County, in which the village provides treated water to county residents, in exchange for seasonal road grading and maintenance (Appendix I: Water/Road Services Agreement).
- The village is currently a member of 10 regional committees and boards including:
 - Cardston County Emergency Services Committee
 - Cardston FCSS Board
 - Chief Mountain Regional Solid Waste Authority
 - Chinook Arch Regional Library Foundation
 - Hill Spring / Cardston County Service Water Committee
 - Hill Spring Cemetery Committee
 - Oldman River Regional Services Commission
 - Spring Glen Park Association
 - Mayors & Reeves of Southern Alberta
 - Alberta Urban Municipalities Association
- In 2016, village council established a seven member Economic Development Committee including village council and members of the public. The mandate of the committee is to enhance economic development within the village.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- Village council should undertake an evaluation of their participation on regional boards and committees to ensure the resources expended in the participation is of value to Hill Spring.
- Shared CAO services would continue in the same manner. Village council has indicated that the overall model seems to be working well.
- The village would retain the ability to partner with neighbouring municipalities for grant applications.
- The village may consider entering into an agreement with the Village of Glenwood and Cardston County to reduce operating costs by sharing water treatment services.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Hill Spring will be represented by Cardston County in its relationships with neighbouring municipalities.
- As Hill Spring would lose incorporated status, neighbouring municipalities would have to find another municipality to partner with for granting purposes.
- Memberships in regional committees and boards would continue under Cardston County.
- Residents would be encouraged to form an advisory committee to advocate on behalf of hamlet residents.

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

6. The village should pursue opportunities to enhance regional partnerships that provide programs and services to residents in the most effective and efficient manner.
7. Council participation on boards and committees are important to understanding how regional changes or initiatives may affect village residents; however, council should evaluate which boards and committees they participate on, as attendance at all committees is not consistent. If the village has a member status on a committee, the expectation is that they attend.
8. The village should explore the operational efficiencies, increases in the level of service and potential costs savings that would result with respect to a shared water treatment operator, should an agreement be possible with Cardston County and the Village of Glenwood.
9. The village should continue working with Cardston County and the Village of Glenwood to develop additional shared services agreements that have a focus on reducing administrative costs while maintaining service levels to residents.

Operational and Administrative Capacity

HOW HILL SPRING OPERATES TODAY

- The municipal office is located at 11E 2nd Avenue South and is open Monday from 8:00 am – noon and Tuesday and Wednesday from 1:00 pm – 5:00 pm.
- The municipal office provides basic services including processing and issuing tax and utility payments, coordinating infrastructure maintenance, water plant operations and taking community hall rental bookings as well as Commissioner of Oaths services.
- All municipalities in Alberta must appoint a Chief Administrative Officer (CAO). From March 2011 – April 2015, the village contracted CAO services from the Town of Raymond.
- In July 2015, CAO services were contracted with the Village of Glenwood, through an Alberta Community Partnership Grant. A summary of the responsibilities have been included within Appendix H: Chief Administrative Officer Agreement.
- In addition to contracting CAO services, the village contracts a chief financial officer, employs a part-time administrative assistant (0.6 FTE) and a part-time water operator (0.6 FTE).
 - In 2015, the cost of contracting a chief financial officer from Allan Accounting in Lethbridge was \$8,500. In 2016, the village cancelled the contract with Allan Accounting.
- The village utilizes volunteers to provide non-essential services such as snow removal and lawn mowing.
- For both the 2014 and 2015 financial years, the village has missed the legislated reporting date for the annual audited financial statements, which is one of the key measures (Appendix A: Performance on Key Measures) that Municipal Affairs considers when determining if a municipality is viable.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- The village will continue to be administered from the village office. In order to reduce administration costs, the hours of the village office may be adjusted in the future.
- If the costs of providing municipal services increase in the future, residents will face tax increases and/or service reductions.
 - Financial calculations undertaken by the VRT indicate that an increase of 11% each year is required for the next 10 years to fund the capital infrastructure improvements indicated in the infrastructure audit (see Table 9: Capital Reserves Required to Fund Village Infrastructure Projects (2016 – 2025) in Appendix E: Projected Revenues and Expenses 2015-2020).
- Recruiting and retaining qualified staff was identified by the VRT as a viability factor for the village. To address retention of staff and as part of succession planning, the village should budget professional development funds and require all new employees undergo a combination of classroom and on the job training.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- The County would evaluate whether the municipal office in Hill Spring should be retained as a satellite office, used for a different purpose, or sold.
- Municipal services would be provided to Hill Spring residents from the county office in the Town of Cardston. The county office is located at 1050 Main Street and is open 8:30 am – 4:30 pm Monday to Friday.
- The county CAO would be responsible for the management of the village. County staff and contractors would handle the provision of municipal services.
- All records and liabilities associated with the village employees would be transferred to the County.

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

10. The village's ability to attract and retain qualified staff is a factor in the long-term viability of the village. The village should establish a training program and a budget to encourage council and administration to attend workshops and access opportunities to build capacity. These could include taking formal classes, job shadowing or accessing municipal interns.
11. The Village should seek legal and risk management advice on its current practices of operations and maintenance conducted by volunteers. This includes seeking a legal opinion and advice from its insurance provider.
12. If the village is to remain viable, council must find a way to reduce the costs associated with administering the village or seek additional revenue sources. Consideration should be given towards increasing municipal taxes and raising utility rates to ensure full cost recovery.
13. Council and administration should develop a strategy for taxpayers to better understand where their tax dollars are going and the value that they receive for them. This communication could be included as part of the village's yearly tax notice.

Municipal Finances and Accounting

The municipal fiscal year is from January 1st until December 31st. All municipalities in Alberta must adopt an operating and capital budget that shows their expected expenditures and revenues; these revenues must be sufficient to cover the expenditures.

In the village, the budget cycle begins in March with a review of capital project priorities and accomplishments of the past year. Administration begins to gather information on projects to include in next year's budget. In December, a draft budget is presented to council for approval. A final budget is adopted in March/April/May of the following year.

At the end of each fiscal year, municipalities prepare financial statements, which must be audited by an independent auditor appointed by council. The financial statements are public information. Since 2010, the Village of Hill Spring has received a clean audit opinion, indicating that the financial statements fairly represent the financial position of the municipality.

Municipalities have access to several different revenue sources to fund operations and capital improvements. The primary source of revenue is property taxes. Other revenue sources include grants (federal and/or provincial), user fees (costs a consumer pays for a program or service), penalties, and franchise fees.

In 2015, the village reported \$238,603 in operating expenses (excluding amortization) and \$405,107 in operating revenues. In addition, the village received \$173,985 in capital grants in 2015. The majority of municipal expenses were allocated to administration, water/waste water and waste management. Municipal revenues included \$137,009 from municipal taxes, \$153,704 from government operating transfers or grants, \$93,500 from utility revenue, sales and user fees, with the remaining \$20,894 from investments, tax penalties and franchise agreements rentals. As of December 31, 2015, the village reported \$67,185 in deferred revenue, \$530,724 in net financial assets (of which \$122,775 was restricted, and \$407,949 was unrestricted), and \$0 in long-term debt.

In reviewing the 2015 audited financial statements, the amounts indicated within the deferred revenue, restricted surplus and amounts listed under commitments do not appear to match agreements signed by the village. The utility bylaw 2010-294 does not mention the collection or establishment of a utility reserve, although funds are allocated in the budget to a reserve for utility maintenance. In addition, in June 2010, the Public Sector Accounting Board issued PS – 3260 Liability for Contaminated Sites. The new accounting standard requires municipalities to disclose the presence of contaminated sites. As an accompanying note was not provided within the 2015 audited statements, it is unclear as to the status or presence of contaminated sites within the village. Lastly, there was no mention of the ongoing viability review, of which will have an impact on the operations of the village.

For utility services, municipalities are encouraged to fund the service through user fees on a full cost recovery basis to ensure users pay proportionately with their consumption and the replacement value of the infrastructure is accounted for. The village reviews utility rates annually as part of the budget process. The village has not formally adopted full cost recovery for utility rates, but the 2015 budget does reflect a move towards full cost recovery; however, a \$36,000 shortfall exists, to cover amortization. The ability to cover amortization costs is not unique to the Village of Hill Spring, as many municipalities across the province are considering how they will, or if they will be able to, cover the amortization costs in the future.

The financial position of any municipality can be considered by reviewing two key figures reported on the financial statements: Net Financial Assets (Debt) and Accumulated Surplus. Net Financial Assets (Debt) is equal to total financial assets less total liabilities. Since 2010, the village has had the required financial assets to cover its liabilities. Approximately 76 per cent of the useful life of village assets remains as at December 31, 2015 (useful life refers to the period of time that a physical asset will be in service). When the addition of the \$2.1 million water treatment plant (constructed in 2010) is removed, this figure drops to 56%.

Additional detail regarding the past operational revenues and expenses is included within Appendix D: Annual Revenues and Expenses; whereas potential budget scenarios depending if the village remains incorporated or becomes a hamlet is provided within Appendix E: Projected Revenues and Expenses 2015-2020.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- As costs of providing municipal services increase and maintenance or upgrades to municipal infrastructure are required, village residents may face either reductions in service or increases in user fees and/or special taxes.
- Deferred revenue is cash received by the municipality for a specific purpose, which has not been expended for that purpose by the end of the fiscal year. The cash position in 2010 was \$575,805, but \$504,761 was deferred revenue leaving approximately \$71,000 for other purposes. The cash position for 2015 had increased to an amount of approximately \$246,000 after deducting the liabilities.

According to the village's audited financial statements:

- As of December 31, 2010, the village had deferred grant revenue of \$504,761; and
- As of December 31, 2015, the village had deferred grant revenue of \$67,185.

The figures above indicate that the Village of Hill Spring has spent the majority of its grant funds to complete projects within the village. In 2015, the deferred grant monies were from the Alberta Community Partnership Program and the Basic Municipal Transportation Grant.

- The municipality may have to consider borrowing to help offset increased capital costs. Based on the 2015 financial statements, the village has the capacity to borrow up to \$607,661. Annual payments on debentures could be funded through utility fees or property taxes.
- To address future reductions in grant revenues, the village would have to make up the revenue shortfall through increases in property taxes and user fees, finding new revenue sources, or reducing expenses through a reduction or elimination of services.
- Another revenue source for the village is franchise fees raised through utility service provision. Village council establishes the rate. In 2015, the franchise fee for Fortis Alberta was 5% and ATCO Gas was 5%, resulting in approximately \$6,700 in revenue.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Cardston County would assume the assets, liabilities, rights, duties, functions and obligations of the village upon dissolution.
- Any previous grant allocations for Hill Spring that were not spent would be transferred to Cardston County and must be used for the projects the funding was approved for. The county will also receive grants to assist with the costs associated with the dissolution of the village, subject to the conditions of the grant guidelines.
- The county will receive the village's rights to revenues on the date of dissolution. In addition, the county may be able to levy additional taxes or local improvement levies to supplement revenues received for the hamlet.
- Cardston County would determine which assets are no longer required and, through public tender or advertisement in the local paper, would be able to sell assets.
- Any money transferred from the village to the county and money received from the sale of any village assets (including but not limited to cash, investments, reserves, buildings, infrastructure, vehicles, machinery, and equipment) must be used to reduce village liabilities or for projects in the hamlet.
- Franchise agreements with the village become agreements with the county and may be renegotiated or terminated in the future. . The county would be responsible for renegotiating the franchise agreement with Fortis Alberta and ATCO Gas.

14. Contributions to an infrastructure reserve fund must increase either through additional taxes, levies or fees to ensure that funds are available should an unexpected event occur and to achieve funding of future critical infrastructure repairs/replacement.
15. Council must develop an infrastructure reserve policy that distinguishes the types of reserves that exist and puts monies away in these restricted reserve accounts for future capital projects.
 - This infrastructure reserve policy must use the long-range capital plan for its basis. The capital plan will identify the necessary projects, the timing of initiating and completing each project and the required funding to complete each project. Funding for these projects will come from various sources including funds annually set aside according to a specific timeline. The infrastructure reserve policy, if followed, will ensure that sufficient funds are in place for each project.
16. Council should review its revenue sources to ensure that a proper balance from taxes, franchise fees and user fees exist.
17. The village should continue to reconcile grants received with the cost of completed projects in a timely manner.
18. The 2015 financial figures should be restated in the 2016 Audited Financial Statements to account for the amounts and types allocated to the restricted surplus as well as the deferred revenue from grants. Consideration should also be given to include a statement regarding the existence or non-existence of contaminated sites as per the accounting standard issued by the Public Sector Accounting Board.

Property Taxes and Assessment

HILL SPRING'S TAXATION AND ASSESSMENT

- Assessment in Hill Spring is currently comprised of 95 per cent residential and 5 per cent non-residential (there is currently one non-residential property in the village).
- A homeowner with a residential property valued at \$100,000 can expect to pay \$792 in municipal taxes; whereas a commercial property owner with a similarly assessed property can expect to pay \$1,100. In 2015, the
 - residential tax rate was 7.9193
 - non-residential tax rate was 11.0000
 - minimum municipal property taxes for residential and non-residential properties was \$400.
- Since 2015, a \$50 special tax has been applied to each parcel of land and placed in a contingency reserve for future village priorities.
- Tax penalties are 12 per cent on the current taxes unpaid after July 15 and, thereafter, a 1.5% penalty is imposed on the total unpaid balance on the first day of each calendar month.
- In 2015, the village had \$27,085 (19 per cent) in uncollected current year taxes with a total of \$42,798 in property tax arrears. This is a significant rate of uncollected taxes and impacts the village's ability to pay for expenses.
- The village has a utility and tax installment program and accepts online payments through a financial institution.
- The village follows the tax recovery process outlined in the *Municipal Government Act (MGA)*. Since 2010, there have been no property tax sales, meaning that all tax arrears were paid before property would have been sold at auction. In 2015, village administration began property tax recovery proceedings.
- The village contracts assessment services from Benchmark Assessment Consultants Inc. on a per parcel fee of \$25/parcel. In 2015, the budget for this service was \$3,875.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- Residents could potentially see significant increases in property taxes to pay for services and infrastructure repairs.
- The village will continue to apply tax penalties, collect on overdue accounts and implement tax recovery.
- The *Municipal Government Act* authorizes municipalities to impose special taxes and local improvement taxes on property in any area of a municipality to fund a service or a project that will benefit that area. At this time, the Village of Hill Spring is planning to continue collecting the special tax of \$50 per parcel.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Assessed values of hamlet properties are not expected to change significantly, as property assessment is completed using the same methodology (i.e. market-based or regulated) for all property classes, no matter which municipality they are located in.
- Property taxes previously levied by the village will be owed to the county and the county would utilize the tax recovery process available to all municipalities for delinquent accounts.
- Cardston County would assume the assets, liabilities, rights, duties, functions and obligations of the village upon dissolution.
- Future county tax rates, due dates and tax penalties will apply to properties in the hamlet.
 - July is the county's tax deadline. A payment received after this date is subject to a five per cent penalty, and a further five per cent in January, and an additional twelve per cent is applied after March on any outstanding balance owing.
- The 2015 county residential tax rate was 4.0878, which means that a homeowner with a residential property valued at \$100,000 can expect to pay \$408 in municipal taxes; whereas a commercial property owner, with a similar assessed property, can expect to pay \$1,496.
- For residential properties in Hill Spring, the county has the ability to designate them as a sub-class of residential properties in accordance with Sections 297 and 354 of the *Municipal Government Act* (see

	<p>Appendix K: References from the <i>Municipal Government Act</i> for more information).</p> <ul style="list-style-type: none">▪ The residential tax rate could be different for a residential sub-class assigned as the hamlet of Hill Spring from the tax rate for other hamlets in the county.▪ This means that if the county determines through its budget process expenses associated with Hill Spring are higher than those associated with other residential areas in the county, the county could impose a higher tax rate on Hill Spring residential properties than those in the rest of the county.▪ At this time, the county has not determined if there is a need to designate the area of Hill Spring as a sub-class for taxation purposes.
--	--

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

19. Council must improve communication by providing electors with information regarding property assessment and taxation processes.
20. Council must provide electors with information outlining how municipal funds are spent as part of a year-end report and within the report promote the value of the services the village provides.
21. Council must impose local improvement taxes for projects that benefit an area of the village and not the village as a whole. These would include, but not limited to improvements to a block of sidewalk or a septic line upgrade.

Infrastructure

In 2015, the village received \$150,000 under the Alberta Community Partnership program to undertake a comprehensive infrastructure audit as part of the viability review process. The audit included the following infrastructure elements: water treatment and distribution, waste water collection and treatment, storm water and drainage, irrigation, roads and sidewalks and municipal buildings. The audit evaluated each of the infrastructure systems, identified deficiencies, prepared cost estimates and developed a ten-year capital plan to address the deficiencies found.

The cost estimates show that the total infrastructure commitment over the next ten-year period is \$3.94 million. The estimates were prepared for each improvement using the premise that each project would be undertaken independently; therefore, properly staging projects could result in savings to the municipality. A brief overview of each infrastructure system is outlined below, while the high priority projects and accompanying project estimates can be found in Appendix J: 10 Year Capital Plan.

Water Treatment and Distribution Systems

The village's raw water wells are located approximately 2.5 km north of the water treatment plant. Raw water is supplied from the wells and pumped through an existing 100mm diameter pipe to the water treatment plant. The treated water reservoir is located below the water treatment plant and from there, the water flows east on a gravity fed system through a 200 mm PVC line to the old water treatment plant. The line then changes to 250mm HDPE to the pressure reducing station at the corner of 1st Avenue South and 2nd Street West.

In 2010, the village constructed two treated water storage tanks. A review of the 2013 video inspection shows the tanks are in good condition. Together, the storage tanks have a total capacity of 594 cubic meters. The majority of the distribution system consists of 100mm and 150mm diameter Asbestos-cement (AC) pipe. In the northeast of the village, a portion of 100mm Polyvinyl chloride (PVC) pipe was installed in 2010. Based on the Fire Underwriters Survey (FUS) criteria, the treated water storage capacity is sufficient to provide residential fire flows, but not the fire flows required for the school.

The village's water distribution system functions relatively well and maintains adequate pressures during current and projected water flow scenarios. The engineers recommend that a number of additional main extensions should be constructed at various locations throughout the network to complete loops in the system that would improve water quality along with system reliability and performance during fire flow conditions. In completing the report, the engineers made the following conclusions and recommendations:

- The pressure in the distribution system is adequate for the recommended level of service standard.
- Due to the lack of water main looping, the available fire flow is below the recommended level of service standard.
- The proposed upgrades be incorporated into the village's infrastructure improvement plan to be completed in conjunction with other infrastructure works that the village proposes (i.e. roadwork, sanitary and storm sewer) to ensure an efficient use of funds.

Cost estimates were prepared for the proposed upgrades to the existing water distribution system. The addition of the mains, hydrants, and valves is estimated to cost approximately \$2.44 million. The high priority projects and estimates can be found within Appendix J: 10 Year Capital Plan.

Wastewater Collection and Treatment Systems

The sanitary collection system consists of 200mm and 250mm diameter PVC pipe that is gravity fed to the sewage lagoon located east of the village. The lagoon was built in the early 1980's and in 2013 the force main from the lift station to the lagoon was upgraded to 150mm PVC pipe. The treatment system consists of one storage cell and has adequate capacity to handle the current average daily design flow. The village does not have a facultative cell, but will require one should the village upgrade the capacity of their lagoon.

According to Alberta Environment and Parks regulations, the village is permitted to release effluent once a year between late spring and fall. The lagoon has been designed to discharge to the nearby creek north west of the lagoon, although the village has indicated that annual discharges have not always been necessary. The village has a maintenance program in place for the sanitary mains, which includes flushing and cleaning every two years. Routine maintenance helps to ensure that the system is clear of obstructions and has the capacity for peak wastewater flows. In completing the report, the engineers made the following conclusions and recommendations:

- The sanitary collection system in the village has adequate capacity to carry dry weather and wet weather flows under current conditions.
- Based on the results of the video inspection, system upgrades have been identified to replace the sanitary mains in poor condition.
- The village's maintenance program should continue to be a systematic part of the village's activities to protect its investment in infrastructure. Flushing of sewer lines should be a regular and ongoing activity to ensure unobstructed flow in the system.

The proposed upgrades to the collection and treatment system are estimated to cost approximately \$630,000. The high priority projects and estimates can be found within Appendix J: 10 Year Capital Plan.

Storm Water Management and Drainage

The village generally slopes from west to east with a total elevation drop of approximately 15 meters. Much of the village is reliant on swales, ditches, and culverts to transport storm water runoff. The runoff drains to a series of ponds east of the village and eventually drains into the Belly River. Culverts are found throughout the village along the ditch system allowing runoff to pass under approaches and roadways. The culverts range in size from 300mm to 1,000mm. The corrugated steel culverts are in good condition.

In completing the report, the engineers made the following conclusions and recommendations:

- Drainage in the village can be improved with the rehabilitation of the ditches and culverts in poor condition.
- Design and construction of the proposed storm water management works should proceed in conjunction with the overall development of the village.
- The village add an inspection of the drainage system into the annual maintenance program.

The proposed upgrades to the storm drainage system is estimated to cost approximately \$280,000. The high priority projects and estimates can be found within Appendix J: 10 Year Capital Plan.

Irrigation System

The village has an extensive raw water irrigation system that provides irrigation water to the majority of the village. The pipe sizes range from 50mm to 150mm. The majority of the irrigation pipes are located within the alley rights-of-way with the valve boxes found close to the alley. There is a drip irrigation line located north of 1st Ave North between Main Street and 1st Street East that is used for watering the trees in that location.

The engineers noted that during the onsite inspection there were some irrigation boxes that were not located, but were indicated on the village's drawings. In addition, the visible above ground components of the irrigation system appeared to be in good working condition. The engineers recommended that the missing covers on the irrigation boxes be replaced for protection from the elements. The engineers did not provide cost estimates to complete this work.

Roads and Sidewalks

The village's road network consists of an arrangement of local and collector roads developed in a grid pattern with roads aligned primarily north-south and east-west. 80 per cent of the roadways within the village are gravel, while 20 per cent are hot mix asphalt. On average, the hot mix asphalt roads are well maintained and are all in good condition. The evaluation identified approximately 14,200 square metres of gravel road that required maintenance and re-grading to

remedy issues such as rutting, local potholes, and wash boarding. There are 2,500 square metres of gravel roads that will require road reconstruction. The majority of these roads show varying degrees of rutting signifying weakness in the underlying structure. At the time of writing this report, the subsurface structure of the road network was unknown.

In addition to the road network, the engineers also undertook an evaluation of the village’s sidewalks. 34 per cent of the village’s sidewalks were in good condition, 43 per cent received a fair rating, while the remaining 23 per cent of the sidewalks received a poor rating.

In completing the report, the engineers made the following conclusions and recommendations:

- That the village conduct a geotechnical investigation and evaluation to determine a standard road structure to use for future roadwork projects within the village.
- The village should take every opportunity to document and record the structural make-up of existing roads, as they are repaired and new roads as they are constructed.
- That the village utilize the condition rating system identified to prioritize and implement the roadway repairs and replacement work; and
- That the village continue to implement an annual maintenance program that includes the re-grading of gravel roads.

The proposed upgrades to the road network and sidewalks is estimated to cost approximately \$350,000. The high priority projects and estimates can be found within Appendix J: 10 Year Capital Plan.

Municipal Buildings:

The village has eight buildings that are used for utility operation, maintenance, and public use. The mechanical, electrical, and structural components of these buildings were assessed and repairs and improvements proposed. The following table provides an overview of the municipal buildings, the recommended upgrades and the estimated cost of these upgrades.

Table 1: Municipal Building Upgrades and Estimated Cost

Municipal Building	Mechanical	Electrical	Structural	Recommended Upgrades	Cost
Post Office	Fair	Good	Good	replace heater, wood siding, flooring	\$8,500
Fire Hall / Village Workshop	Good	Good	Poor	building replacement	\$200,000
Storage Shed			Fair	replace siding	\$2,500
Concession Building	Fair	Good	Fair	install exhaust fans in washrooms	\$2,500
Irrigation Building	Good	Good	Good		\$0
Water Treatment Plant	Good	Good	Good	exterior concrete sealant	\$5,000
Lift Station Generator Building	Poor	Good	Good	upgrade ventilation for generator, upgrade generator exhaust penetration, replace broken window	\$25,500
Total					\$244,000

In addition to the buildings listed above, the municipality also owns a playground, community hall/municipal office building and an outdoor rink that is managed and maintained by volunteers.

There are a number of community owned facilities within the municipality as well. The Church of Jesus Christ of Latter-day Saints owns the rodeo grounds and land which the ball diamond is located. The village leases and maintains the ball diamond, and the Hill Spring Agriculture Society leases the rodeo grounds from the church. An assessment on the condition of the community hall/municipal office, outdoor rink or ball diamond was not included within the engineer’s report.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- Council will review the infrastructure report and will use it to make decisions regarding future infrastructure projects.
- Information regarding capital projects will be included within future budgets and capital plans.
- The village would need to ensure critical infrastructure is maintained and does not pose risks to health and/or public safety.
- Village council will continue to rely on the expertise from Cardston County to determine maintenance priorities for the road network.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- According to the 2015 Municipal Sustainability Initiative (MSI) capital program guidelines, restructuring will not negatively affect MSI capital funding allocations to municipalities for a set period following dissolution. This means that Cardston County would receive a funding allocation equivalent to that which would have been calculated pre-restructuring for a subsequent five years, if Hill Spring dissolves and becomes a hamlet.
- Cardston County would review the infrastructure assessment prior to any repair, replacement or removal of hamlet infrastructure.
- If critical infrastructure repairs or replacements are required following dissolution, Cardston County may be eligible to apply for grants to pay for these projects.
- Cardston County may impose special taxes or local improvement levies on hamlet residents to pay for infrastructure deficits following completion of the infrastructure audit.
- Infrastructure priorities will be based on the infrastructure assessment, with the public works department making recommendations to council regarding the highest priorities and available grants.
- Existing hamlet facilities would continue to be utilized and maintained as necessary.

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

22. Village administration will formally document ongoing operations and develop a maintenance plan for village infrastructure (e.g. water treatment plant, irrigation pipes).
23. Village council must approve and fund a 10-year capital plan through approved funding sources such as municipal taxes, utility fees, or grant programs.
24. Village council will develop a policy to ensure that the 10-year capital plan is reviewed as part of the annual budget process and that the infrastructure projects listed within the 10-year capital plan are appropriately funded.
25. Village council should consider taking on debt with an appropriate repayment plan, if required, to meet the approved 10-year capital plan.
26. Village administration will ensure that any repairs or replacement undertaken to the mechanical, electrical or structural components of the municipal buildings and facilities will be completed by a qualified trades person.
27. Village administration will communicate to electors the importance of establishing and maintaining a cost recovery model with respect to the fees charged to maintain, operate and provide utility services.

Service Delivery and Risk Management

HOW HILL SPRING OPERATES TODAY

- Cardston County provides services to the village in terms of road maintenance, graveling, and dust control in exchange for treated water. Additional information on the specifics of this agreement are within Appendix I: Water/Road Services Agreement.
- The village is one of 13 members of the Chief Mountain Regional Solid Waste Authority. In 2015, the cost to the village for this service was \$3,992.
- Residents are required to haul waste to the transfer station and are billed \$14.00 per two-month period.
 - Cardston County operates the regional transfer station and the village contributes on a per capita basis as per the transfer station agreement.
 - Recycling can be accommodated at the transfer station, and residents take e-waste to the Village of Glenwood shop.
- All residents receive non-potable water for irrigation purposes for \$120.00 per year, billed at a bimonthly rate of \$20.00.
- The Old Man Regional Planning Commission provides Geographic Information Services (GIS) and other planning related services to the village.
- The village has an emergency services bylaw that authorizes the appointment of an emergency advisory committee who reviews the Municipal Emergency Plan and related plans and programs on a regular basis, and advises Council on the status of the Municipal Emergency Plan and related plans and programs at least once each year.
- Bylaw enforcement is on an as needed/complaint basis, with the CAO enforcing the bylaw, unless the RCMP are required.
- Lawn mowing is completed by volunteers, and in some years a seasonal summer employee, typically funded by a provincial or federal grant.
- The completion of the 2015 infrastructure audit has identified a number of concerns regarding the village's infrastructure that will need addressing in the future. How the village chooses to proceed could reduce the village's level of liability and exposure to risk.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- No changes are anticipated in the way the village maintains roads.
- No changes are anticipated in the village's planning and development process; however, it is anticipated that the village will look to update its land-use bylaw in the near future.
- The village will review how it uses volunteers and the types of services being provided by volunteers. In addition, the village will ensure the appropriate policies and procedures are in place confirming that volunteers are properly trained, that work is undertaken in a safe manner and the village's liability exposure is mitigated.
- The village could consider developing a joint water services agreement with the Village of Glenwood and Cardston County that would share personnel and ensure that the water infrastructure is properly maintained. This could reduce the village's operational costs.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Cardston County would be responsible for providing services to hamlet residents.
- No changes are anticipated in how utility services are provided to Hill Spring residents should dissolution occur. However, if dissolution occurs, the county would assess the costs associated with the provision of utility services in Hill Spring and may change utility rates accordingly to achieve full cost recovery.
- The responsibility for the emergency management services and the fire department would transfer to the county.
- Cardston County would administer the Hill Spring fire department, emergency management services and provide financial assistance to the Mid-Rivers Volunteer Fire Department. The county does not anticipate any changes to the operation of the Mid-Rivers Volunteer Fire Department.
- Bylaw enforcement in Hill Spring will be consistent with other parts of the county and will be conducted by Cardston County administration who has the authority to issue fines and stop

	orders.
--	---------

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

28. Village council will continue to review utility rates annually using a full-cost recovery model that would include the amortization expense and could also include future capital infrastructure projects.
29. Village council must develop a policy to ensure that surplus funds collected through a utilities fee go into a capital reserve fund for future capital projects associated with the utility.
30. Village administration will review the occupational health and safety policy for the municipality to ensure that the village is compliant with current legislation.
31. Village council must approve a volunteer policy, which has been reviewed by legal counsel and the village's insurance provider within six months of this report being accepted by the Minister of Municipal Affairs.

Community Well Being

HOW THE COMMUNITY WELL-BEING IS IN HILL SPRING TODAY

- The Seniors Foundation was established in 1959. Eight directors are appointed by the member municipalities, including the Village of Hill Spring. The village appoints one director.
 - Senior's facilities are located in Magrath (Diamond Willow Terrace) and Cardston (Chinook Lodge and Temple City Villa). In 2015, the village's requisition to the foundation was approximately \$3,100.
- The Regional FCSS Board is comprised of four elected officials and five members at large. The village appoints one elected official to the board.
 - Family Community Support Services (FCSS) programs are funded 80% by the Alberta Government and 20% by the municipality. In 2015, the village contributed \$1,325.
- The village cemetery is jointly owned by the village and county and operates under the Cemetery bylaw 2009-284. The cemetery is managed by the cemetery committee, but maintained by village volunteers. Families are responsible for opening and closing the plots.
- The village is a member of the Chinook Arch Regional Library System and residents can access the library in Cardston. In 2015, the village paid \$1,711 to be a member.
- The Hill Spring and District Agriculture Society is an integral part of the community. The society is very active, community-minded and assists other community organizations in fundraising. The Agriculture Society has a scholarship program, maintains the rodeo grounds for community use and society activities and hosts annual dinners. The Agriculture Society also volunteers alongside other community organizations for Canada Day celebrations in the community, which includes an annual parade.
- Hill Spring and District Seniors' organize events and have obtained funding to complete upgrades to the community centre.
- There is strong sense of community culture and spirit within the village.

OPTION 1: IF HILL SPRING REMAINED A VILLAGE

- The village would continue to support community organizations and events.
- Village council recognizes the importance of and supports volunteer work within the community.
- The village should review the cemetery bylaw, as well as the current administration and operation of the cemetery to ensure liability exposure is mitigated.

OPTION 2: IF HILL SPRING BECAME A HAMLET

- Hill Spring community groups would be eligible for county support the same as other groups in the county.
- Cardston County would provide informal oversight and would cover community groups as Additional Named Insured (ANI) on the county's insurance policy. Community groups are to submit their minutes to Cardston County.

VIABILITY REVIEW TEAM RECOMMENDATIONS TO ACHIEVE VIABILITY IF HILL SPRING REMAINS A VILLAGE:

32. Village administration will continue to budget financial support for community groups on an annual basis.

APPENDIX A: PERFORMANCE ON KEY MEASURES

The Municipal Sustainability Strategy outlines ten key measures of sustainability for municipalities in Alberta. The key measures were designed so that a municipality triggering three of the ten key measures, or measure #3, will be flagged for further review. If flagged, Alberta Municipal Affairs initiates contact with the municipality to review the cause(s) of the trigger and to discuss options for assisting the municipality to strengthen performance if necessary. The ministry would also advise the relevant municipal association. The key measures are:

	Triggered	
	2015*	2014
1. Has your municipality reported an accumulated deficit, net of equity in tangible capital assets, for the past three fiscal (calendar) years?	No	No
2. Does your municipality have less than a 1:1 ratio of current asset to current liabilities?	No	No
3. Has your municipality received a "qualified audit opinion", "denial of opinion" or an "adverse opinion" with respect to your most recent annual financial statements?	No	No
4. Has your municipality reached 80% of its debt or debt service limit?	No	No
5. Based on the annual audited financial statements, have provincial & federal grants accounted for more than 50% of your municipality's total revenue in each of the past three fiscal (calendar) years?	Yes	Yes
6. Has your municipality's non-residential assessment base declined over the past 10 years?	No	No
7. Does your municipality have more than 5% of current property tax unpaid for the most recent completed fiscal year?	Yes	Yes
8. Has your municipality experienced a decline in population of the municipality over the last 20 years?	Yes	Yes
9. Is the remaining value of the tangible capital assets less than 30% of the original cost?	No	No
10. Has your municipality missed the legislated May 1 reporting date for the annual audited financial statements in each of the last 2 years?	Yes	No

** At the time of writing this report, the 2015 figures have not been finalized.*

In addition to the key measures, the village council also completed a self-assessment questionnaire comprised of 124 questions covering eight broad subject areas. The questionnaire highlights best practices, identifies key areas of strength and those areas where improvement may be desirable. The self-assessment questionnaire is on the Municipal Affairs website at: <http://www.municipalaffairs.alberta.ca/municipal-sustainability-strategy>.

APPENDIX B: VIABILITY TEAM MANDATE AND DETERMINATION

In August 2014, Village of Hill Spring council submitted a request to the Minister of Municipal Affairs to undertake a viability review. As part of this request, village council also supplied a completed self-assessment questionnaire. The Minister initiated the viability review in July 2015 and established the Viability Review Team (VRT) comprised of representatives from the Village of Hill Spring, Cardston County, the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Alberta Rural Municipal Administrators Association, the Local Government Administration Association and Municipal Affairs. The Viability Review Team's mandate was to:

- **Lead the Viability Review Process** which includes conducting the viability analysis, developing reports that lead to a determination of viability for the Village of Hill Spring, and if applicable, developing a viability plan with administrative support from Municipal Affairs.
- **Engage stakeholders** by sharing information and facilitating opportunities for the residents of the Village of Hill Spring to provide input that will help to contribute to the viability determination of their community.
- **Liaise between member organizations and the VRT** by allowing for two-way communication between members of the VRT and the organizations they represent.
- **Provide advice** and recommendations to the Minister of Municipal Affairs on the Viability Review Process.

Over the next several months, the VRT gathered information regarding the village's finances, governance, infrastructure and programs and services. On September 15, 2015, the VRT came to the determination that the Village of Hill Spring was trending towards non-viability due to the following factors:

- The village has very few non-residential (business) tax payers and the lack of development and growth in the municipality has led to a greater dependence on the village's residential tax base.
- The village has continued to operate and provide the required services to its residents; however, as the population declines and the costs of providing these services rise, residents may be faced with large tax increases.
- Although administrative agreements with neighbouring villages have increased the organizational capacity within the village, the ability to attract and retain qualified personnel, in the absence of these agreements, remains in question.
- For the past few years, operating grants from senior levels of government have declined. The heavy reliance on these grants for continued village operations suggests that the village will need to increase revenues through taxation or further reduce service levels to balance future budgets.
- The continued reliance on volunteers to assist with village operations, although well intentioned, exposes the village to increased liability and risk. Subsequently, hiring and/or providing the required training for these individuals may significantly increase the cost of providing these services.

APPENDIX C: FINANCIAL POSITION

The information below represents the financial position of the municipality from 2015-2011. The following information was taken from the municipality's audited financial statements.

Table 3: Financial Position (2015 – 2011)

	2015	2014	2013	2012	2011
Financial Assets					
Cash	\$492,077	\$268,215	\$109,412	\$142,179	\$277,319
Receivables					
Taxes and grants in place of taxes	\$42,798	\$53,555	\$31,803	\$25,053	\$26,784
Trade and other receivables	\$218,493	\$34,383	\$87,667	\$160,929	\$108,194
Land for resale inventory	\$23,448	\$23,448	\$29,160	\$29,160	\$29,160
Total	\$776,816	\$379,601	\$258,042	\$357,321	\$441,457
Liabilities					
Accounts payable and accrued liabilities	\$178,907	\$18,609	\$82,575	\$21,402	\$25,587
Deferred revenue	\$67,185	\$49,568	\$40,830	\$245,056	\$350,125
Long-term debt	-	-	-	\$11,519	\$22,371
Total	\$246,092	\$68,177	\$123,405	\$277,977	\$398,083
Net Financial Assets (Debt)	\$530,724	\$311,424	\$134,637	\$79,344	\$43,374
Non-Financial Assets					
Tangible capital assets	\$3,439,256	\$3,407,927	\$3,344,184	\$2,841,934	\$2,675,440
Accumulated Surplus	\$3,969,980	\$3,719,351	\$3,478,821	\$2,921,278	\$2,718,814

The municipality has no long-term debt and continues to make investments towards its infrastructure as demonstrated by the increase in net financial assets and equity in tangible capital assets.

Accumulated surplus is that amount by which all assets exceed liabilities. An accumulated surplus indicates that a government has net resources (financial and physical) that can be used to provide future services.

Table 4: Accumulated Surplus (2015 – 2011)

	2015	2014	2013	2012	2011
Unrestricted Surplus	\$407,949	\$195,949	\$134,637	\$79,344	\$43,374
Restricted Surplus*	\$122,775	\$115,475	-	-	-
Net Financial Assets (cash)	\$530,724	\$311,424	\$134,637	\$79,344	\$43,374
Equity in Tangible Capital Assets** (non-cash)	\$3,439,256	\$3,407,927	\$3,344,184	\$2,841,934	\$2,675,440
Total	\$3,969,980	\$3,719,351	\$3,478,821	\$2,921,278	\$2,718,814

Notes:

* *Restricted Surplus* are funds that have been collected and allocated for a specific purpose. A council resolution is required to move funds from restricted surplus to unrestricted.

** *Tangible Capital Assets* are physical assets of the municipality, including all above and below ground infrastructure. The value represented indicates the remaining life of the asset. A trend decreasing equity in Tangible Capital Assets, would suggest that the municipality is not investing in municipal infrastructure.

APPENDIX D: ANNUAL REVENUES AND EXPENSES

The information below provides an overview of the operating revenues and expenses of the municipality from 2015-2011. Table 5 shows the municipal grants and capital property additions from 2015-2011. The information within both tables was taken from the municipality's audited financial statements.

Table 5: Operating Revenues and Expenses (2015 – 2011)

Operating Revenues	2015	2014	2013	2012	2011
Net Municipal Taxes	\$137,009	\$137,708	\$130,048	\$124,222	\$127,565
Sales and User Fees	\$93,500	\$93,769	\$76,237	\$68,566	\$66,630
Government Transfers for Operating	\$153,704	\$47,754	\$40,932	\$63,136	\$37,821
Franchise Agreement	\$6,712	\$5,608	\$1,705	\$2,030	\$1,809
Penalties and Costs of Taxes	\$8,717	\$10,321	\$5,126	\$5,799	\$4,310
Investment Income	\$1,171	\$363	\$1,929	\$449	\$1,890
Other	\$4,294	\$12,816	\$2,082	\$6,804	\$317
Total Revenue	\$405,107	\$308,339	\$258,059	\$271,006	\$240,342
Operating Expenses					
Legislative	\$7,164	\$7,743	\$10,276	\$9,820	\$10,420
Administration	\$121,401	\$120,417	\$120,276	\$124,958	\$112,035
Police, Fire, Ambulance, and Bylaw Enforcement	\$8,813	\$9,661	\$8,126	\$7,646	\$5,418
Parks and Recreation	\$22,198	\$13,021	\$3,427	\$5,247	\$16,991
Roads, Streets, Walks, Lighting	\$9,636	\$16,379	\$22,563	\$18,125	\$19,664
Water, Wastewater and Waste Management	\$68,220	\$67,572	\$76,521	\$67,294	\$69,791
Community Services and Cemetery	\$1,171	\$3,617	\$1,497	\$1,443	\$1,457
Other	-	-	-	\$5,620	-
Total Expenses (excluding amortization)	\$238,603	\$238,410	\$242,686	\$240,153	\$235,776
Annual Surplus (Deficit) (excluding amortization)	\$166,504	\$69,929	\$15,373	\$30,853	\$4,566
Amortization (<i>non-cash expense</i>)	89,860	63,212	60,531	52,044	31,492
Annual Surplus (Deficit)	\$76,644	\$6,717	(\$45,158)	(\$21,191)	(\$26,926)

Table 6: Capital Transactions (2015 – 2011)

Capital Transactions	2015	2014	2013	2012	2011
Government Transfers for Capital	\$173,985	\$233,813	\$602,701	\$223,655	\$837,762
Capital Property Additions	\$121,189	\$126,955	\$562,781	\$224,158	\$832,220

Table 7: Municipal Grants (2015 – 2011)

The following table indicates the municipal grants that have been reported to Municipal Affairs, where the Village of Hill Spring has either been the managing partner or collaborated with another municipality. Only when the village has acted as the managing partner, or has received funds, are the totals indicated.

Municipal Grants	2014/15	2013/14	2012/13	2011/12	2010/11
------------------	---------	---------	---------	---------	---------

Alberta Community Partnership ^{ACP}	\$280,500				
Alberta Municipal Water/Wastewater Program – Water for Life ²	\$47,754	-	-	\$450,000	\$800,000
Basic Municipal Transportation Grant		\$14,199	\$14,399	\$14,399	\$14,399
Family and Community Support Services Program ⁴	\$5,568	\$5,568	\$5,568	\$5,568	\$5,568
Federal Gas Tax Fund ^{FG}	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Fire Services and Emergency Preparedness Program ^{FSEP}	-	-	-	\$500	-
Municipal Sustainability Initiative – Capital Funding	\$148,063*	\$128,690	\$129,785	\$129,183	\$128,502
Municipal Sustainability Initiative – Conditional Operating Funding	\$23,817	\$36,172	\$34,048	\$35,484	\$31,870
Regional Collaboration Program ^{RCP}	-	-	-	-	-
Summer Temporary Employment Program	-	-	\$2,016	-	\$2,200
Total	\$568,948	\$234,629	\$235,816	\$685,134	\$1,032,539

*This figure does not include the third quarter 2014/15 supplemental allocation of \$13,246. Due to the late release, the supplement allocation was combined with the 2015 /16 MSI Capital funding allocation.

ACP: The Village of Hill Spring was the managing partner of the Shared Services Pilot partnership with the Village of Glenwood.

FG: The Gas Tax Fund is a federal program administered by Alberta on behalf of Canada

Fire Services and Emergency Preparedness Program (FSEP)

- 2010/11: The village was part of the Southern Alberta Training Group, managed by the Town of Coaldale, which received \$115,883.
- 2011/12: The village was part of the Southern Alberta Training Group, managed by the Town of Coaldale, which received \$115,220.
- 2012/13: The village was part of the Cardston County Partnership managed by Cardston County, which received \$2,500.
- 2013/14: The village was part of the Town of Cardston Partnership managed by the Town of Cardston, which received \$1,300.

Regional Collaboration Program (RCP): The Regional Collaboration Program underwent a review in 2013/14 and as a result of the review, a number of changes were made to the program in 2014/215. Including a name change to the Alberta Community Partnership (ACP).

- 2011/12: The village was part of the Town of Cardston Regional GIS partnership, managed by the Town of Cardston, which received \$125,000.
- 2011/12: The village was part of the Town of Raymond – Shared Administration partnership, managed by the Town of Raymond, which received \$248,631.
- 2011/12: The village was part of the Town of Pincher Creek – Country Connections partnership, managed by the Town of Pincher Creek, which received \$215,000.
- 2012/13: The village was part of the Regional Orthophotography partnership managed by the Town of Milk River, which received \$240,000.
- 2013/14: The village was part of the Regional Economic Development Plan Program partnership, managed by the Town of Bruderheim, which received \$250,000.
- 2013/14: The village was part of the Regional Waste Management partnership, managed by the Town of Cardston, which received \$250,000.
- 2013/14: The village was part of the Regional Online Capacity Building partnership, managed by the Town of Pincher Creek, which received \$250,000.

The following two charts are a five-year average of where the Village of Hill Spring collects revenues and on what municipal services these revenues were expended.

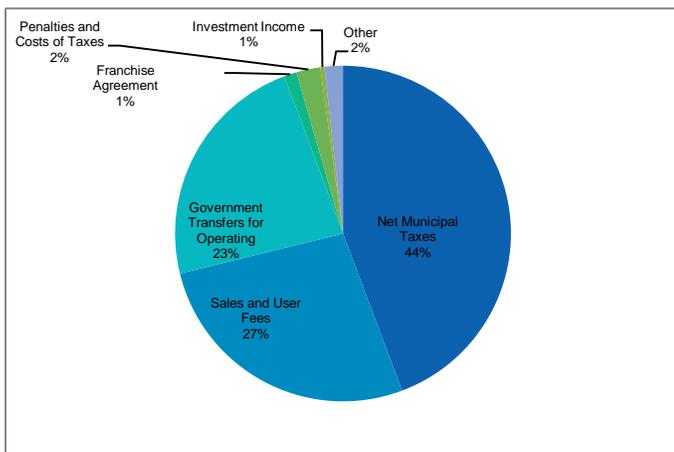


Figure 1: Revenue Sources (2015 - 2011)

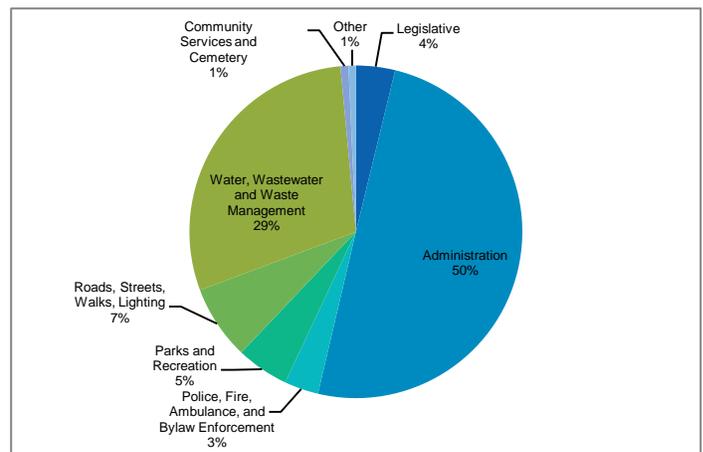


Figure 2: Expenses by Service Area, Excluding Amortization (2015 - 2011)

APPENDIX E: PROJECTED REVENUES AND EXPENSES 2015-2020

The following tables were developed for the sole purpose of this report and are subject to change based on future council decisions, administrative requirements and the availability of funds. Table 7, provides a high level summary of the projected revenues and expenses for 2016, should the village remain (Option 1) or become a hamlet (Option 2).

	Option 1:		Option 2:
	2015 Amended	2016 Projected	2016* Projected
Table 8: Projected Operating Revenues and Expenses (2016 – 2020)			
Operating Revenues			
Net Municipal Taxes	\$123,443	\$133,018	\$59,568
Sales and User Fees	\$86,950	\$75,000	\$85,701
Government Transfers for Operating	\$26,632	\$23,046	\$23,046
Franchise Agreement	\$5,500	\$5,000	\$5,000
Penalties and Costs of Taxes	\$12,000	\$10,000	\$10,000
Investment Income	\$250	\$250	\$250
Other	\$650	\$500	\$500
Total Revenue	\$255,425	\$246,814	\$184,065
Operating Expenses			
Legislative	\$8,500	\$8,500	-
Administration	\$134,019	\$121,779	\$46,264
Police, Fire, Ambulance, and Bylaw Enforcement	\$9,755	\$9,850	\$9,850
Parks and Recreation	\$5,500	\$1,500	\$4,500
Roads, Streets, Walks, Lighting	\$24,750	\$25,050	\$25,050
Water, Wastewater and Waste Management	\$74,394	\$71,435	\$88,551
Community Services and Cemetery	\$2,500	\$2,500	\$3,500
Other	\$6,007	\$6,200	\$6,350
Total Expenses	\$265,425	\$246,814	\$184,065
Annual Surplus (Deficit)	(\$10,000)	-	-
* Note: Should the Village of Hill Spring dissolve, under the 2015/16 Alberta Community Partnership Program, Cardston County would be eligible to apply to Municipal Affairs for \$1.1 million to put towards the transition and future infrastructure costs within the hamlet. These figures have not been included within the above table.			

Table 9: Capital Reserves Required to Fund Village Infrastructure Projects (2016 – 2025)

	2016		2020		2025	
	High Priority*	All Projects	High Priority*	All Projects	High Priority*	All Projects
Capital Reserves Start of Year	\$400,000	\$400,000	(\$1,008,103)	(\$824,980)	(\$224,550)	(\$419,193)
2015 Annual Taxes/ for future Capital Projects	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Annual Capital Grants	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Tax / Utility Fee Increase	\$5,535	\$13,530	\$30,280	\$84,262	\$68,015	\$226,249
End of Year	\$625,353	\$633,530	(\$757,822)	(\$520,718)	\$63,465	\$27,056
Capital Expenditures	\$397,500	\$385,500	\$120,000	\$830,000	\$30,000	\$30,000
Capital Reserve Balance	\$228,035	\$326,030	(\$877,822)	(\$1,350,718)	\$33,465	\$2,944
Compound Tax / Utility Fee Increase from 2015	4%	11%	25%	69%	55%	184%

Notes:

- The “High Priority” projects are listed in **Table 14: High Priority Infrastructure Projects (2016 – 2025)** in **Appendix J: 10 Year Capital Plan**
- “All Projects” are listed in **Table 15: Recommended Infrastructure Projects (2016 – 2025)** in **Appendix J: 10 Year Capital Plan**

Assumptions:

- The village will remain as an incorporated entity
- The village will complete all of the infrastructure projects in **Appendix J: 10 Year Capital Plan** by 2025
- Annual capital grants will remain unchanged through 2025.

** The high priority projects include the engineer’s recommendation to loop the north water line in 2018 (for \$1.23 million) to provide sufficient fire flows to the school. If looping does not occur and capital grants remain unchanged through 2025, the result would be a 0% tax/utility fee increase from 2015.*

In most cases, it is hard to predict the infrastructure requirements further than 10 years. The useful life remaining on some of the village’s infrastructure suggest that it will need to be replaced between 2026 and 2035. For this to occur the village should be fully funding the amortization of the asset, so when that when the useful life is zero, the municipality would have enough funds to replace the existing asset the following year.

That being said, there are very few municipalities that are fully funding the amortization of their infrastructure; and although it is recommended, it is not always achievable. As such, the following table has been developed for the sole purpose of this report to illustrate the potential infrastructure costs that may be anticipated between 2026 and 2035.

Table 10: Capital Reserves Required to Replace Village Infrastructure (2026 – 2035)

Capital Replacement	Replacement Value	Annual Amortization	YTD Amortization	Funds Required
2026-2035	\$3,519,750	\$114,127	\$1,265,388	\$3,519,750

APPENDIX F: PROJECTED FINANCIAL IMPLICATIONS

If dissolution occurs, Sections 297 and 354 of the *Municipal Government Act* (Appendix K: References from the *Municipal Government Act*) provide Cardston County Council with the option to establish a sub-class of residential properties and set a different tax rate for this sub-class. In other words, village residential properties could be assigned a different tax rate, than other properties within the county. Currently, the *Municipal Government Act* does not allow a municipality to establish a sub-class of non-residential properties.

However, if dissolution occurs and Cardston County chooses not to establish a special assessment class for residential properties within the village boundaries, the county tax rates would be applied to all village properties. Table 10 identifies the property tax impact to the residents of Hill Spring when using the 2015 property tax rates. Table 11 provides the projected revenues and expenses should the village retain incorporated status, or if the village was to become a hamlet.

Table 11: Property Tax Impact

Assessment Class	Assessed Value	Village of Hill Spring		Cardston County		Increase (Decrease)	
		Tax Rate	Levy	Tax Rate	Levy	\$	%
Residential	\$14,434,360	7.9193	\$114,310	4.0878	\$59,005	(\$55,305)	(48%)
Commercial	\$388,100	11.0000	\$4,269	14.9618	\$5,807	\$1,538	36%
Linear	\$422,210	11.0000	\$4,864	14.9618	\$6,616	\$1,752	36%
Total	\$15,264,670		\$123,443		\$71,428	(\$52,015)	(42%)

Note: Cardston County property tax rates include a special tax rate for fire and garbage.

Table 12: Projected Operating Financial Summary

Required Property Taxes	2015 Amended Budget	Option 1: 2016 Projected Budget	Option 2: 2016 Projected Budget
Operating Expenses excluding Amortization	\$265,425	\$246,814	\$184,065
Operating Revenues	\$105,350	\$90,750	\$101,451
Net Cost	\$160,075	\$156,064	\$82,614
MSI Operating Grant	\$26,632	\$23,046	\$23,046
Required Property Taxes	\$133,443	\$133,018	\$59,568
Property Taxes			
Using current Village of Hill Spring Tax Rates	\$123,443	\$123,443	\$123,443
Excess (shortfall)	(\$10,000)	(\$9,575)	\$63,875*
Using current Cardston County Tax Rates	\$71,428	\$71,428	\$71,428
Excess (shortfall)	(\$62,015)	(\$61,590)	\$11,860**

Notes:

- The following items have been removed from the 2015 approved budget for analysis purposes:
 - Major capital related revenues and expenses/transfers to reserves
 - Requisitions which have specific tax rate
- The 2015 amended budget requires an additional \$10,000 in property taxes because \$10,000 of the Alberta Community Partnership grant was used for IT support and small capital and deemed to be a normal operating cost.

Conclusion(s):

* Should the Village of Hill Spring dissolve and Cardston County maintains the existing 2015 village tax rate; preliminary calculations indicate approximately \$60,000 would be available to place into an infrastructure reserve fund to help offset the costs of future infrastructure projects.

** Should the Village of Hill Spring dissolve and Cardston County applies the existing 2015 county tax rate; preliminary calculations indicate approximately \$12,000 would be available to place into an infrastructure reserve fund to help offset the costs of future infrastructure projects.

APPENDIX G: STAKEHOLDER SUMMARY

The Village of Hill Spring Viability Review Team held a public meeting in Hill Spring on November 5, 2015, where approximately thirty individuals provided feedback on the future viability of the village by answering the questions below. A summary of the feedback heard at the meeting is included below for your information:

1. What is important to you about the Village of Hill Spring?

Participants shared a strong sense of community. Having the ability to raise a family in a safe place and voice their concerns to people they knew, ranked high. Residents indicated that community identity and autonomy were important and acknowledged that fairness and equity across council and administration were equally important.

2. What are your concerns with the current state and future state of the village?

A number of respondents indicated that they felt the costs of village administration, property taxes and the reliance on provincial grants were too high. Participants acknowledged the need to attract residents and businesses to their community, but were concerned that this may impact how services would be delivered. The condition of the village's infrastructure and the perceived lack of transparency of administration and council were also listed as concerns.

3. If Hill Spring were to become a hamlet in Cardston County, what would be your expectations, fears and concerns?

Some participants expected that if Hill Spring became a hamlet, that their taxes would go down while others feared that their taxes would increase. A number of attendees had concerns over the loss of autonomy and community identity and that the level of service would decrease. Participants expressed fears that their concerns would not be addressed in a timely manner or by someone not known to them.

4. As a resident of Hill Spring, do you feel that you receive good value with respect to the services that are provided? Why or Why not?

Respondents appeared split in their responses. Many indicated that they were pleased with the state of the infrastructure and the utility rates for water and irrigation services. Some attendees indicated difficulty or slow responses from council and administration when dealing with issues. One attendee indicated that volunteers help the village to keep the costs low, and if the village had to hire someone to do this, costs would increase substantially.

5. The Viability Review Team has determined that the Village of Hill Spring is trending towards non-viability. Based on your knowledge and understanding of the Village of Hill Spring, do you agree with this determination? Why or Why not?

If not, what are some solutions to improve the long-term viability of the village?

The majority of attendees agreed with the Viability Review Team's determination of trending towards non-viability. Attendees cited a greater need for economic development and tourism initiatives to attract new businesses and residents to the area. There were also a few attendees who indicated Hill Spring has been trending towards non-viability for some time, but has always found a way to continue, in part due to the close-knit nature of the community and its desire to retain its autonomy.

6. Looking ahead, what do you think the top priorities should be for the Village of Hill Spring.

Generally speaking, responses focused on attracting and retaining businesses, increased economic development, improvements to existing infrastructure and reducing administration costs by sharing services.

In addition to the above questions, participants were encouraged to complete an exit survey where they were asked to provide a satisfaction level based on the following issue or topic:

Table 13: Participant Satisfaction

Issue or Topic	Unsatisfied	Satisfied	Neither
Council communication with residents	9	8	1
The state of infrastructure:			
o Roads	6	10	2
o Sidewalks	6	11	2
o Water System	7	10	3
o Irrigation System	4	13	1
o Sewer	3	14	1
o Storm Sewer	3	2	6
The cost and value of:			
o Property taxes	11	7	1
o Water Rates	6	12	1
o Irrigation Rates	1	13	3
Quality of life in the community	2	10	2
How council cooperates with community groups and other municipalities	2	9	6
How the village manages its budget and finances	8	8	2
The way in which the village conducts business	9	7	1
How council governs the village	7	9	1
How administration manages the village	8	8	2
Your opportunity to provide input to your municipality	3	11	2

When participants were asked if they would be willing to pay the same or more in property tax to maintain village status and have village council represent your interests, responses were generally in favour of not paying any more in property taxes. When participants were asked if they would be willing to pay the same or more in property tax to become a hamlet in Cardston County and have county council represent their interests, responses were generally in favour of not paying any more in property taxes.

When participants were asked what the three biggest challenges facing Hill Spring were, the responses were generally focused on economic development, infrastructure, finding efficiencies in current operations and providing services to residents. There was a definite acknowledgement of the small town feeling of the community and that many did not want to lose this connection.

When asked if the this session provided participants with adequate opportunity to voice concerns regarding the long-term viability of the village, of the 19 responses, 14 indicated yes, three indicated no, and five did not answer the question.

APPENDIX H: CHIEF ADMINISTRATIVE OFFICER AGREEMENT

The Municipal Government Act (MGA) under section 205(2) specifies that every council must appoint one or more persons to carry out the powers, duties and functions of the position of chief administrative officer (CAO). Section 207 and 208 of the MGA outline the roles and responsibilities of the CAO.

On July 1st, 2015 the Village of Glenwood and the Village of Hill Spring entered into an agreement to share CAO services. Under this agreement, Glenwood and Hill Spring would collectively hire and utilize the services of a joint CAO, where Glenwood would act as the managing municipality for the joint CAO.

In exchange for these services, Hill Spring would be invoiced \$32,320.00 in 2015, \$32,920.00 in 2016 and \$33,520.00 in 2017. In addition, the Village of Glenwood agrees to contribute at least \$4,500 annually and Hill Spring agrees to contribute at least \$3,000 annually to allow the CAO to attend any professional development courses and seminars that he or she feels is of value to either party in fulfilling his or her responsibilities. This agreement is set to expire on July 1, 2025, notwithstanding early termination provided that either Glenwood or Hill Spring provide the other party one year written notice of their intent to terminate. The following are clauses taken from the agreement signed between the Village of Glenwood and the Village of Hill Spring.

In addition to the duties and responsibilities prescribed in the Municipal Government Act, other legislation, Village Bylaws and any additional duties assigned from time to time by Council, the CAO:

1. *Recommends objectives, policies and programs to Council. Assists and advises Council in all areas, including implementation and monitoring of progress of those policies and programs approved by Council. Evaluates and recommends improvements as required.*
2. *Guides all municipal employees in the performance of their duties. Communicates Council decisions, requests or recommendations to the respective employees. Promotes intermunicipal cooperation and activities where appropriate. Recommends to Council, any necessary changes in duties, responsibilities or authority of employees.*
3. *Advises Council in the hiring, training and evaluating of all employees. Ensures discipline procedures are administered equitably in accordance with approved policy and/or guidelines. Has authority to hire, dismiss or discipline all staff. Directs the activities of the employees. Develops and modifies, from time to time, their duties or responsibilities.*
4. *Monitors adherence to policies, organization and procedures by Village staff.*
5. *Coordinates the prompt and proper handling of all requests, inquiries and complaints by the public. Promotes the development of good public relations with staff, the public and other external representative, including Provincial Government Departments.*
6. *Authorizes the purchase of materials and supplies within established guidelines.*
7. *Attends all Regular and Special meetings of Council and other meetings, as requested by Council, and advises on relevant matters. Ensures that proceedings of such meetings are recorded.*
8. *An additional 12 hours per month (6 hours per community), above and beyond a 40 hour work week, for meetings, travel or emergencies shall not be billed separately but included within the CAO's agreed upon salary.*
9. *The CAO will distribute his time in a manner that does not favour one community over the other, but fulfills the roles and responsibilities of the position in both Glenwood and Hill Spring.*
10. *Monitors accurate handling of all Official Village correspondence and preservation of all official documents.*
11. *Drafts By-Laws. Prepares meeting Agendas, Resolutions and organizes appointments for Council.*
12. *Manages the development and implementation of the annual Budget process, which results in accurate operating and capital estimates being submitted to Council for review and subsequent approval, in accordance with Provincial Government requirements.*
13. *Performs other duties as required by Council.*

APPENDIX I: WATER/ROAD SERVICES AGREEMENT

On October 15, 2013 the Village of Hill Spring and Cardston County entered into a joint services agreement whereby the Village of Hill Spring provides treated water to County residents and in exchange Cardston County provides road maintenance and dust control on specific streets. The agreement is for a fifteen-year period. The following is a summary of the services that each municipality has agreed to provide as part of this agreement.

Village of Hill Spring

- The Village of Hill Spring is to treat the raw water supplied by the county and then pump the water to the county connection points where the village operates water meter values. The village is responsible for testing the water meters annually to ensure accuracy and charges Cardston County for the volume of water used; and
- The Village of Hill Spring will lease land to county, at no cost, to build a bulk water station. At the end of the 15 year agreement, the county will obtain title to the land.

Cardston County

- In exchange for treated water, county residents are billed at a rate 1.5 times the rate charged to village residents and bulk water is charged, per cubic meter, at 2 times the rate charged to village residents.
- In addition, to receiving treated water Cardston County has agreed to:
 - grade village streets up to four times per year, at the county's expense. If additional grading is required, it will be provided, time permitting, with the costs being covered by the village;
 - annually review village streets and recommend maintenance/upgrades for future years by September. If work is to be completed, the village will reply to the County by December of the same year. The county will in turn provide a quote to the village by February. If this is acceptable to the village, the village will authorize the work by May. Quotes and the cost of completing the work will be based on County cost structure;
 - provide dust control on specific village streets, once per year, at no cost to the village. If additional dust control is required, it will be provided with the costs being covered by the village; and
 - remove snow with the costs being covered by the village, based on county cost structure and operator availability.

APPENDIX J: 10 YEAR CAPITAL PLAN

Table 14: High Priority Infrastructure Projects (2016 – 2025)

Proposed Construction Year	Infrastructure Projects	Project Costs, Based on Year 2016 Dollars					PROJECT TOTAL	PER YEAR
		Road Work	Water System Upgrades	Sanitary System Upgrades	Storm Water Improvements	Building Upgrades		
2016	2nd Street West Roadwork	\$50,000.00					\$50,000.00	\$397,500.00
	Lift Station Backup Pump			\$12,000.00			\$12,000.00	
	MH 19 to MH 21 Main Replacement			\$180,000.00			\$180,000.00	
	MH 12 to MH 13 Main Repair			\$30,000.00			\$30,000.00	
	MH 9 to MH 11 Main Repair			\$30,000.00			\$30,000.00	
	Manhole Adjustments			\$50,000.00			\$50,000.00	
	East 1st Avenue South Ditch Cleaning				\$20,000.00		\$20,000.00	
	Firehall Mold Investigation					\$10,000.00	\$10,000.00	
Lift Station Generator Building Mechanical Upgrades					\$15,500.00	\$15,500.00		
2017	Additional Hydrant and Isolation Valves		\$170,000.00				\$170,000.00	\$357,500.00
	Main Street Sidewalk Works	\$80,000.00					\$80,000.00	
	Culvert Replacements				\$100,000.00		\$100,000.00	
	Water Treatment Plant Upgrades					\$5,000.00	\$5,000.00	
Concession Building Upgrades					\$2,500.00	\$2,500.00		
2018	1st Avenue South Roadwork	\$30,000.00					\$30,000.00	\$160,000.00
	1st Street East Sidewalk Works	\$40,000.00					\$40,000.00	
	Main Drainage Ditch Re-grading				\$90,000.00		\$90,000.00	
2019	Storage Shed Upgrades					\$2,500.00	\$2,500.00	\$201,000.00
	Post Office Upgrades					\$8,500.00	\$8,500.00	
	MH 17 to MH 19 Main Replacement			\$190,000.00			\$190,000.00	
2020	MH 25 to MH 26 Main Replacement			\$120,000.00			\$120,000.00	\$120,000.00
2021	Centre Avenue Sidewalks Works	\$80,000.00					\$80,000.00	\$110,000.00
	South 1st Street East Ditch Re-grading				\$30,000.00		\$30,000.00	
2022	2nd Street East Roadwork	\$70,000.00					\$70,000.00	\$70,000.00
2023	Centre Ave and West 1st Ave South Ditch Re-grading				\$40,000.00		\$40,000.00	\$40,000.00
2024	Firehall Building Replacement					\$200,000.00	\$200,000.00	\$200,000.00
2025	MH 35 Replacement			\$30,000.00			\$30,000.00	\$30,000.00
TOTAL COSTS:		\$350,000.00	\$170,000.00	\$642,000.00	\$280,000.00	\$244,000.00	\$1,686,000.00	\$1,686,000.00

* Note: the above table includes the high priority projects, but does not include either the south or north water main looping.

Table 15: Recommended Infrastructure Projects (2016 – 2025)

Proposed Construction Year	Infrastructure Projects	Project Costs, Based on Year 2016 Dollars					PROJECT TOTAL	PER YEAR
		Road Work	Water System Upgrades	Sanitary System Upgrades	Storm Water Improvements	Building Upgrades		
2016	2nd Street West Roadwork	\$50,000.00					\$50,000.00	\$385,500.00
	MH 19 to MH 21 Main Replacement			\$180,000.00			\$180,000.00	
	MH 12 to MH 13 Main Repair			\$30,000.00			\$30,000.00	
	MH 9 to MH 11 Main Repair			\$30,000.00			\$30,000.00	
	Manhole Adjustments			\$50,000.00			\$50,000.00	
	East 1st Avenue South Ditch Cleaning				\$20,000.00		\$20,000.00	
	Firehall Mold Investigation					\$10,000.00	\$10,000.00	
	Lift Station Generator Building Mechanical Upgrades					\$15,500.00	\$15,500.00	
2017	Additional Hydrant and Isolation Valves		\$170,000.00				\$170,000.00	\$357,500.00
	Main Street Sidewalk Works	\$80,000.00					\$80,000.00	
	Culvert Replacements				\$100,000.00		\$100,000.00	
	Water Treatment Plant Upgrades					\$5,000.00	\$5,000.00	
	Concession Building Upgrades					\$2,500.00	\$2,500.00	
2018	North Water Main Loop		\$1,230,000.00				\$1,230,000.00	\$1,230,000.00
2019	1st Avenue South Roadwork	\$30,000.00					\$30,000.00	\$361,000.00
	1st Street East Sidewalk Works	\$40,000.00					\$40,000.00	
	Main Drainage Ditch Re-grading				\$90,000.00		\$90,000.00	
	Storage Shed Upgrades					\$2,500.00	\$2,500.00	
	Post Office Upgrades					\$8,500.00	\$8,500.00	
	MH 17 to MH 19 Main Replacement			\$190,000.00			\$190,000.00	
2020	South Water Main Loop		\$1,040,000.00				\$1,040,000.00	\$1,040,000.00
2021	Centre Avenue Sidewalks Works	\$80,000.00					\$80,000.00	\$230,000.00
	South 1st Street East Ditch Re-grading				\$30,000.00		\$30,000.00	
	MH 25 to MH 26 Main Replacement			\$120,000.00			\$120,000.00	
2022	2nd Street East Roadwork	\$70,000.00					\$70,000.00	\$70,000.00
2023	Centre Ave and West 1st Ave South Ditch Re-grading				\$40,000.00		\$40,000.00	\$40,000.00
2024	Firehall Building Replacement					\$200,000.00	\$200,000.00	\$200,000.00
2025	MH 35 Replacement			\$30,000.00			\$30,000.00	\$30,000.00
	TOTAL COSTS:	\$350,000.00	\$2,440,000.00	\$630,000.00	\$280,000.00	\$244,000.00	\$3,944,000.00	\$3,944,000.00

* Note: the above table includes the all projects recommended within the 2015 Infrastructure Audit. This includes the new construction of a south main water loop.

APPENDIX K: REFERENCES FROM THE *MUNICIPAL GOVERNMENT ACT*

Petition for bylaw

- 232** (1) Electors may petition for
- (a) a new bylaw, or
 - (b) a bylaw to amend or repeal a bylaw or resolution on any matter within the jurisdiction of the council under this or another enactment.
- (2) A petition requesting a new bylaw under Part 8, 9, 10 or 17 or an amendment or repeal of a bylaw or resolution made under Part 8, 9, 10 or 17 has no effect.

1994 cM-26.1 s232;1995 c24 s29;1996 c30 s12

Adoption of operating budget

- 242** (1) Each council must adopt an operating budget for each calendar year.
- (2) A council may adopt an interim operating budget for part of a calendar year.
- (3) An interim operating budget for a part of a calendar year ceases to have any effect when the operating budget for that calendar year is adopted.

1994 cM-26.1 s242

Contents of operating budget

- 243** (1) An operating budget must include the estimated amount of each of the following expenditures and transfers:
- (a) the amount needed to provide for the council's policies and programs;
 - (b) the amount needed to pay the debt obligations in respect of borrowings made to acquire, construct, remove or improve capital property;
 - (c) the amount needed to meet the requisitions or other amounts that the municipality is required to pay under an enactment;
 - (d) if necessary, the amount needed to provide for a depreciation or depletion allowance, or both, for its municipal public utilities as defined in section 28;
 - (e) the amount to be transferred to reserves;
 - (f) the amount to be transferred to the capital budget;
 - (g) the amount needed to recover any deficiency as required under section 244.+
- (2) An operating budget must include the estimated amount of each of the following sources of revenue and transfers:
- (a) property tax;
 - (b) business tax;
 - (c) business revitalization zone tax;
 - (c.1) community revitalization levy;
 - (d) special tax;
 - (e) well drilling equipment tax;
 - (f) local improvement tax;
 - (f.1) community aggregate payment levy;
 - (g) grants;
 - (h) transfers from the municipality's accumulated surplus funds or reserves;
 - (i) any other source.
- (3) The estimated revenue and transfers under subsection (2) must be at least sufficient to pay the estimated expenditures and transfers under subsection (1).
- (4) The Minister may make regulations respecting budgets and that define terms used in this section that are not defined in section 241.

RSA 2000 cM-26 s243;2005 c14 s3

Assigning assessment classes to property

- 297** (1) When preparing an assessment of property, the assessor must assign one or more of the following assessment classes to the property:
- (a) class 1 - residential;
 - (b) class 2 - non-residential;
 - (c) class 3 - farm land;
 - (d) class 4 - machinery and equipment.
- (2) A council may by bylaw
- (a) **divide class 1 into sub-classes on any basis it considers appropriate**, and
 - (b) divide class 2 into the following sub-classes:
 - i. vacant non-residential;
 - ii. improved non-residential,and if the council does so, the assessor may assign one or more sub-classes to a property.
- (3) If more than one assessment class or sub-class is assigned to a property, the assessor must provide a breakdown of the assessment, showing each assessment class or sub-class assigned and the portion of the assessment attributable to each assessment class or sub-class.
- (4) In this section,
- (a) “farm land” means land used for farming operations as defined in the regulations;
 - (a.1) “machinery and equipment” does not include
 - i. any thing that falls within the definition of linear property as set out in section 284(1)(k), or
 - ii. any component of a manufacturing or processing facility that is used for the cogeneration of power;
 - (b) “non-residential”, in respect of property, means linear property, components of manufacturing or processing facilities that are used for the cogeneration of power or other property on which industry, commerce or another use takes place or is permitted to take place under a land use bylaw passed by a council, but does not include farm land or land that is used or intended to be used for permanent living accommodation;
 - (c) “residential”, in respect of property, means property that is not classed by the assessor as farm land, machinery and equipment or non-residential.

RSA 2000 cM-26 s297;2002 c19 s6

Tax rates

- 354** (2) A tax rate must be set for each assessment class or sub - class referred to in section 297.
- (3) The tax rate may be different for each assessment class or sub - class referred to in section 297.

1994 cM-26.1 s354;1996 c30 s26;1998 c24 s27;1999 c11 s15

Special tax bylaw

- 382** (1) Each council may pass a special tax bylaw to raise revenue to pay for a specific service or purpose by imposing one or more of the following special taxes:
- (a) a waterworks tax;
 - (b) a sewer tax;
 - (c) a boulevard tax;
 - (d) a dust treatment tax;
 - (e) a paving tax;
 - (f) a tax to cover the cost of repair and maintenance of roads, boulevards, sewer facilities and water facilities;

- (g) repealed 2008 cE-6.6 s55;
- (h) a tax to enable the municipality to provide incentives to health professionals to reside and practice their professions in the municipality;
- (i) a fire protection area tax;
- (j) a drainage ditch tax;
- (k) a tax to provide a supply of water for the residents of a hamlet;
- (l) a recreational services tax.

(2) A special tax bylaw must be passed annually.

RSA 2000 cM-26 s382;2008 cE-6.6 s55

Local improvement tax bylaw

397 (1) A council must pass a local improvement tax bylaw in respect of each local improvement.

(2) A local improvement tax bylaw authorizes the council to impose a local improvement tax in respect of all land in a particular area of the municipality to raise revenue to pay for the local improvement that benefits that area of the municipality.

1994 cM-26.1 s397

APPENDIX L: SUMMARY OF VRT RECOMMENDATIONS

Sustainable Governance

1. Village council should complete an assessment of all new legislative requirements resulting from the review of the *Municipal Government Act*, and ensure all new requirements are planned and budgeted for including councillor training, a municipal development plan, an intermunicipal development plan and an intermunicipal collaboration framework.
2. All members of village council must take a “Roles and Responsibilities” course offered through Municipal Affairs within three months of this report being accepted by the Minister of Municipal Affairs.
3. Village council should undertake a bylaw review to ensure that existing bylaws are compliant with provincial legislation and that the bylaws are meeting the needs of the residents. This review should be within twelve months of the report being accepted by the Minister of Municipal Affairs.
4. Village council should encourage representation from the public to run in municipal elections by hosting information sessions on what it means to be an elected official and outlining the opportunities and challenges facing the municipality and how these align with the responsibilities of being an elected official.
 - o If the next municipal general election in 2017 results in an acclaimed council and no election is conducted, village council should consider reducing representation from five councillors to three.
5. Village council should continue working with the economic development committee, ensuring that a clear mandate exists, the committee functions effectively, and that participation from other regional organizations is encouraged.

Regional Cooperation

6. The village should pursue opportunities to enhance regional partnerships that provide programs and services to residents in the most effective and efficient manner.
7. Council participation on boards and committees are important to understanding how regional changes or initiatives may affect village residents; however, council should evaluate which boards and committees they participate on, as attendance at all committees is not consistent. If the village has a member status on a committee, the expectation is that they attend.
8. The village should explore the operational efficiencies, increases in the level of service and potential costs savings that would result with respect to a shared water treatment operator, should an agreement be possible with Cardston County and the Village of Glenwood.
9. The village should continue working with Cardston County and the Village of Glenwood to develop additional shared services agreements that have a focus on reducing administrative costs while maintaining service levels to residents.

Operational and Administrative Capacity

10. The village’s ability to attract and retain qualified staff is a factor in the long-term viability of the village. The village should establish a training program and a budget to encourage council and administration to attend workshops and access opportunities to build capacity. These could include taking formal classes, job shadowing or accessing municipal interns.
11. The Village should seek legal and risk management advice on its current practices of operations and maintenance conducted by volunteers. This includes seeking a legal opinion and advice from its insurance provider.
12. If the village is to remain viable, council must find a way to reduce the costs associated with administering the village or seek additional revenue sources. Consideration should be given towards increasing municipal taxes and raising utility rates to ensure full cost recovery.

13. Council and administration should develop a strategy for taxpayers to better understand where their tax dollars are going and the value that they receive for them. This communication could be included as part of the village's yearly tax notice.

Municipal Finances and Accounting

14. Contributions to an infrastructure reserve fund must increase either through additional taxes, levies or fees to ensure that funds are available should an unexpected event occur and to achieve funding of future critical infrastructure repairs/replacement.
15. Council must develop an infrastructure reserve policy that distinguishes the types of reserves that exist and puts monies away in these restricted reserve accounts for future capital projects.
 - o This infrastructure reserve policy must use the long-range capital plan for its basis. The capital plan will identify the necessary projects, the timing of initiating and completing each project and the required funding to complete each project. Funding for these projects will come from various sources including funds annually set aside according to a specific timeline. The infrastructure reserve policy, if followed, will ensure that sufficient funds are in place for each project.
16. Council should review its revenue sources to ensure that a proper balance from taxes, franchise fees and user fees exist.
17. The village should continue to reconcile grants received with the cost of completed projects in a timely manner.
18. The 2015 financial figures should be restated in the 2016 Audited Financial Statements to account for the amounts and types allocated to the restricted surplus as well as the deferred revenue from grants. Consideration should also be given to include a statement regarding the existence or non-existence of contaminated sites as per the accounting standard issued by the Public Sector Accounting Board.

Property Taxes and Assessment

19. Council must improve communication by providing electors with information regarding property assessment and taxation processes.
20. Council must provide electors with information outlining how municipal funds are spent as part of a year-end report and within the report promote the value of the services the village provides.
21. Council must impose local improvement taxes for projects that benefit an area of the village and not the village as a whole. These would include, but not limited to improvements to a block of sidewalk or a septic line upgrade.

Infrastructure

22. Village administration will formally document ongoing operations and develop a maintenance plan for village infrastructure (e.g. water treatment plant, irrigation pipes).
23. Village council must approve and fund a 10-year capital plan through approved funding sources such as municipal taxes, utility fees, or grant programs.
24. Village council will develop a policy to ensure that the 10-year capital plan is reviewed as part of the annual budget process and that the infrastructure projects listed within the 10-year capital plan are appropriately funded.
25. Village council should consider taking on debt with an appropriate repayment plan, if required, to meet the approved 10-year capital plan.
26. Village administration will ensure that any repairs or replacement undertaken to the mechanical, electrical or structural components of the municipal buildings and facilities will be completed by a qualified trades person.
27. Village administration will communicate to electors the importance of establishing and maintaining a cost recovery model with respect to the fees charged to maintain, operate and provide utility services.

Service Delivery and Risk Management

28. Village council will continue to review utility rates annually using a full-cost recovery model that would include the amortization expense and could also include future capital infrastructure projects.
29. Village council must develop a policy to ensure that surplus funds collected through a utilities fee go into a capital reserve fund for future capital projects associated with the utility.
30. Village administration will review the occupational health and safety policy for the municipality to ensure that the village is compliant with current legislation.
31. Village council must approve a volunteer policy, which has been reviewed by legal counsel and the village's insurance provider within six months of this report being accepted by the Minister of Municipal Affairs.

Community Well Being

32. Village administration will continue to budget financial support for community groups on an annual basis.