

THOMAS R L MANAGEMENT INC.

# Town of Spirit River

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## Municipal Inspection

**January, 2011**

## Executive Summary

The Province of Alberta by way of Request for Proposal contracted for a Municipal Inspection of the Town of Spirit River, Alberta pursuant to Section 571 of the Municipal Government Act. This contract was awarded to Thomas R L Management Inc. of Lloydminster in December, 2010

The reason for the inspection was that the Minister had received a Petition from the electors for the Town asking the Province to look into the affairs of the Town's operations.

A large barrier to completing an inspection of the Village was the fact that the Council had placed the current Chief Administrative Officer (CAO) on administrative leave the day before the inspection was to commence. This made it uncomfortable for the staff to respond to questions about the operations or even to locate documents due to their unfamiliarity with a particular subject.

The Town of Spirit River has a number of positive features about it, including the ability of their residents to respond to issues of local concern. The residents have done this recently by electing a new Town Council in the hopes of creating positive change. In terms of the Petition filed with the Minister, it is believed that many of the issues are being worked on and heading to a successful resolve even before the municipal inspection has taken place. This is a great example of community dynamics in action and speaks very well of the people of the Town of Spirit River.

There are some recommendations within this report that will hopefully guide the Council on a go forward basis in their efforts to make positive change for their residents.

A Municipal Inspection of the Town of Spirit River took place during the period January 14 through January 18, 2011.

During the course of the Inspection, the following persons were interviewed about Town matters, either by telephone or in person.

- Mayor Alan Georget
- Town Council (assembled for January 17, 2011 Council Meeting )
- Acting CAO – Kelly Hudson
- Auditor from Sylvain & Doran – Certified General Accountants
- Brent Potter – Municipal Operations Lead hand
- Kimberley Reed - Development Officer
- Corrina Wozny – Financial Officer
- David MacNeil – Petitioner’s Representative ( by telephone)

## **About the Town of Spirit River**

Spirit River was originally incorporated as a Village in Alberta in 1916, eventually being incorporated into a Town in 1950. The current population is reported as 1,148 residents (1996 census).

The Town of Spirit River is located within the MD of Spirit River along with the Village of Rycroft and is located approximately 8 kilometres to the east. The Village and the Town are the only incorporated entities in the MD. Including the two incorporated entities the area population along with the MD sits at 2,548 persons according to the Official Population Listing produced by Alberta Municipal Affairs.

The Council (seven persons) for the Town are elected at-large by the electors for Spirit River. The last election for the Council was held in October of 2010 of which the Town can boast a voter turnout of almost 70% of eligible voters. Turnover was significant. At the time of the inspection the new Council was still finding their way through issues which is quite normal for a

recently elected Council. Fortunately, the present Mayor has previous experience from another municipality and appears very capable and comfortable in his role.

Without exception, all persons spoken to were polite and respectful of the inspection process making it quite easy to ask questions and receive their input. Unfortunately, there was no CAO in place at the time of the inspection making it quite difficult to get full explanations on certain items, ultimately having to then rely on others in order to form an opinion. Having said that, the persons interacted with was quite helpful and each had provided very good input to the discussions.

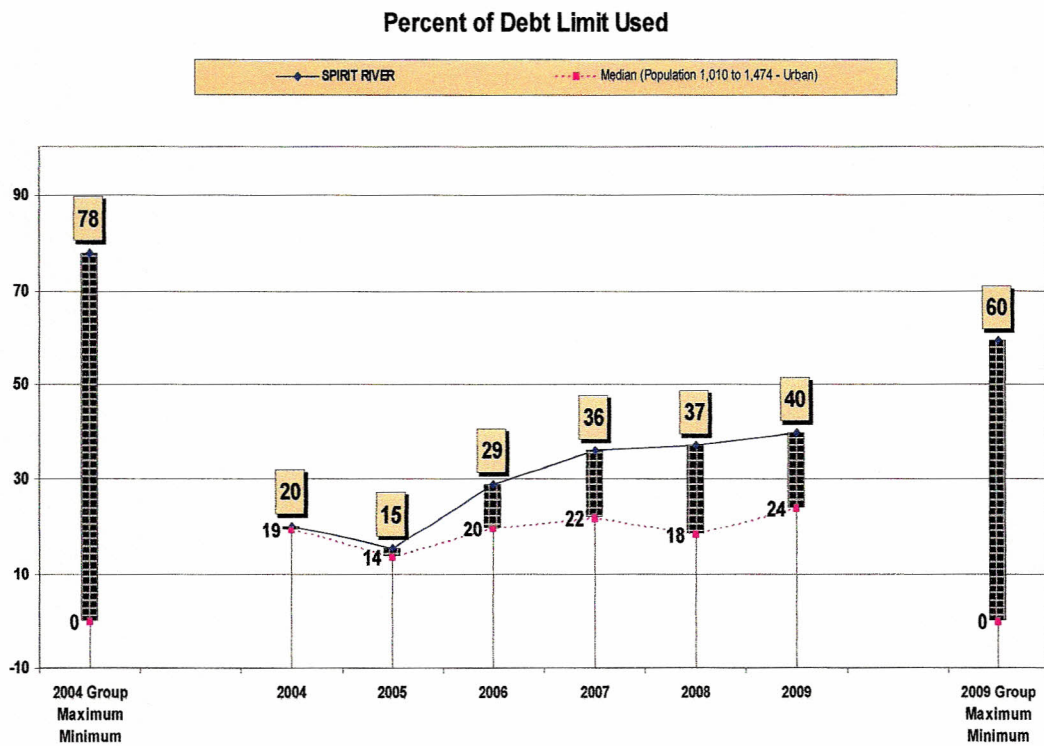
### **Financial Observations**

The Town has an annual operating budget of approximately \$ 2,000,000.00 to pay for the various good and services for which they are responsible and of which 1.3 million is acquired through local taxation, either by real property taxes, linear assessment, grants-in-lieu of taxes or local improvement assessments.

Using the simple comparisons contained in a report produced by Alberta Municipal Affairs for the year ending 2009, entitled "***Financial Indicator Graphs***" are some graphs quite relevant to current issues in the Town. This series of indicators was produced by the Local Government Services Division, Financial Advisory Services and is very helpful in providing a quick snapshot in a particular financial area. These were produced by comparing a "peer" group of similar sized Towns in Alberta numbering nineteen in total for which their populations ranged from 1,010 persons to 1,474 persons. Spirit River has the 10<sup>th</sup> largest population of this nineteen town grouping. These comparisons are intended to help Council's and their administrations in making operational planning decisions, however, they are prepared from Financial Statement information only and do not necessarily take into account any unique or extraordinary issues that may have arose during the course of any year .

**Debt Limit**

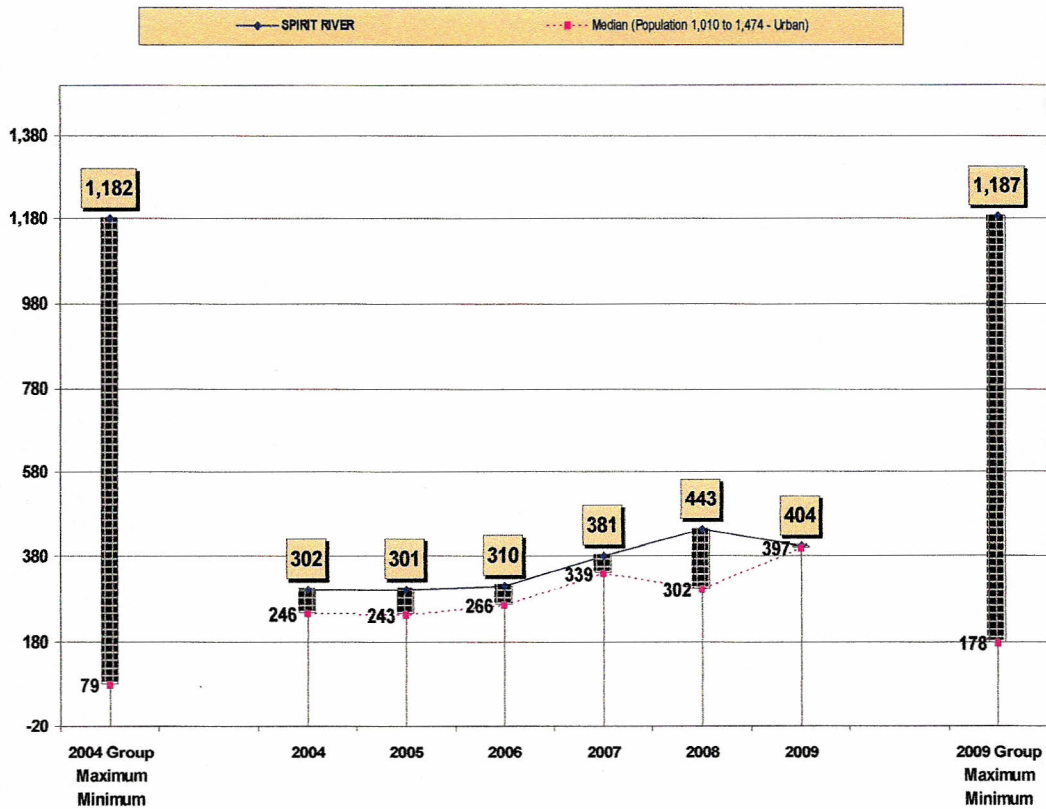
The reported debt limit at the end of 2009 for the Town was \$3,131,859.00 of which total indebtedness was \$1,244,832.00 at the end of 2009. These are amounts calculated in accordance with Alberta Regulation 255/00. The guidelines are designed to identify municipalities who may be a financial risk should further borrowing occur. The Town's debt is illustrated and compared in the following chart. It shows that the Town has used about 40 % of their legislated debt limit where the median for the peer group is 24%. This is not of major concern at this time, but it is something that Council must keep their eye on when planning future capital projects where it is planned that funds be borrowed either by debenture or otherwise.



**Note :** This graph shows, in percentage terms, the municipality's debt as a percentage of the regulated limit. This is compared to the median for the group of similar municipalities.

With respect to operating expenditures, there is an example of an indicator shown below comparing Spirit River's per capita expenditures to the median for the 19 community peer group. The Town's expenditures have trended slightly above the median for several years; however, most comparisons show expenditure trends close to the median of the peer group. To clear the air with respect to the Petition it may be prudent to perform a much more detailed audit of the financial records at this time and in conjunction with the 2010 yearend audit. New computer software has been put into use within the last year. It appears that full staff training in the use of this system is incomplete, thereby requiring the staff to rely on the system administrator for the creation of reports and the setting up of accounts.

**Per Capita Expenses - Materials, Goods, Supplies and Utilities**



***Recommendation:***

***That the Council consider requesting the municipal auditor to perform a more detailed review and analysis of past financial transactions and make specific recommendations for new reporting systems and practices in a format suitable for Council and public viewing.***

**Petitioner's Concerns**

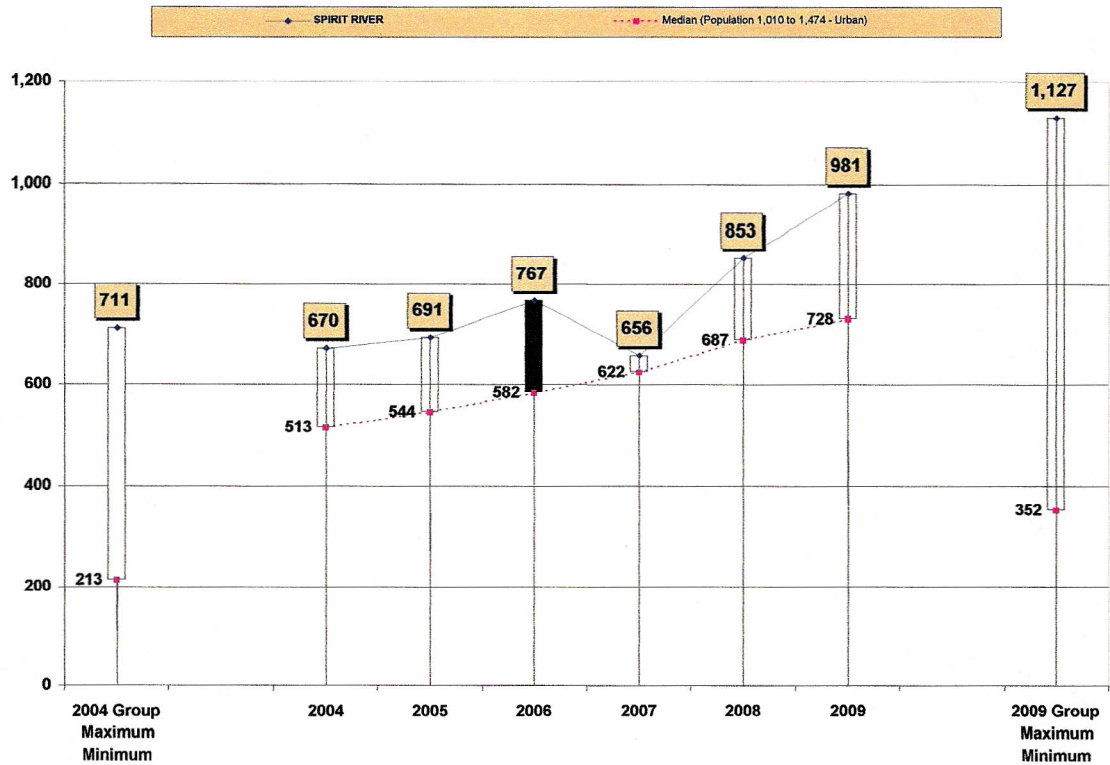
Of concern to the Petitioner group and specifically mentioned was the level of taxation in the Town. The chart below illustrates the trend on a per capita basis for Net Municipal Taxes. The level has been above the median on a consistent basis. This lends some credibility to the statements made in the Petition that taxes are high; however, it is this in combination with other issues that is causing the concern according to the Petitioner's Representative. Although property taxation may be on the higher side, Spirit River is not the highest within their peer group. A combination of taxes, utility costs and other fees and charges all add to the belief that there is no relief in sight. It is easy to see from a resident's point of view, especially when the economy is not as strong as previously experienced and there is an element of uncertainty for the near future. A strong issue was the rate being charged for water and sewer services.

The concerns of the Petitioners have been exacerbated by unprofessional treatment by the administration at the Town office when approached by some residents. Hopefully, a new Council will take the initiative and make positive changes in this area.

**Recommendation**

***It is recommended that the Council consider adopting a much more robust program of educating Town residents on matters of direct financial concern to them in a friendly, non-confrontational manner and in a format that is easily understood.***

### Net Municipal Property Taxes Per Capita



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Two additional factors added to the Petitioners frustrations and concerns over Town matters.

- 1.) The Town had been upgrading their infrastructure and have added local improvement assessments to the property tax roll of which they are lawfully permitted to do.
- 2.) A water meter upgrade program has caused an additional concern in terms of change with some receiving much higher water services bills than they have been accustomed to in past.
- 3.) There is no confidence that the rates being charged for water services are fair and reasonable.

Higher property taxes, higher water bills and the addition of local improvement charges all coming at the same time will give a sense of unacceptable cost increases to the individual viewing it from their bottom line.



The matter of water billings and tax assessment are sensitive issues in any community and can be confusing at times. Input received was that complaints or inquiries on these matters were met with an extremely negative and a very poor response from the administration of the Town. Several persons spoken to specifically referred to the CAO as being responsible for this negative behaviour. It is understood that corrective measures are now being taken by the new Council in this regard.

***Recommendation:***

***It is recommended that the Town develop a clear communications plan designed to keep residents informed of pending changes and inviting residents to participate in local affairs where appropriate***

At the time of inspection a discussion with the municipal auditor took place. Advice was that things have generally improved in terms of financial practices over the previous year, however, there is still much improvement needed.

Items noted with respect to the management of the financial system:

- 1) It appeared that budgeting detail needed to be much improved. Noted in the financial statements and other office reports were areas where it appeared there were items overlooked and not budgeted for. There were also a number of financial charges not coded properly and charged to the wrong area, meaning they may not come to light until well after the fact if in fact they are found.
- 2) There was no standard financial report provided to Council on a regular basis. The only report that existed was simply a dump of information from the accounting system that was unsorted and not broken into categories for ease of understanding.
- 3) There is a Financial Officer on staff, however, when interviewed it was learned that this person was not given the duties one would expect of such a position. An example of this was that the CAO would perform the regular payroll duties and only permit the Financial Officer to perform these duties when absent. It appeared that the CAO was making entries into the general ledger system on her own and without the knowledge of the Financial Officer. These practices are not recommended under the present structure for the following reasons:

1. The CAO has signing authority for the Town, meaning they would have top to bottom control of the release and reporting of funds without an appropriate check in the system or helpful oversight by others.
2. The reporting to Council is insufficient at this time. It was noted that for some reason the names of payees were withheld from Council on the payable list, meaning that Council would be asked to adopt a payable listing that did not have names on it. This appeared to be a case of misinterpreted privacy legislation and practice.
3. These practices undermine the learning and confidence of the Financial Officer. This position is pivotal in the day to day enforcement and communication of financial policies and practices adopted by the Town to staff and to the public.

The present structure in the office consists of four positions, three of which are currently active. They consist of the CAO, Development Officer and the Financial Officer. At time of inspection, the Town was fortunate enough to have the services of the Interim CAO for the MD of Spirit River assisting the Town with continued operations in the absence of the present CAO.

The area of producing Council Agendas is currently carried out by the Interim CAO but organized by the Development Officer. An inspection of the filing system and work done to date on bylaw indexing was observed. The following observations in this area are made:

1. The files are well organized and the person responsible had a good handle on the placement, location and organization of these important files.
2. The Agenda is produced and transmitted to Council members for their review over a week-end. (Council meets on the Monday). It is acknowledged that some members may prefer paper copies instead of on-line delivery; however, the staff member is easily able to handle either option.
3. The recording and producing of minutes appears to be well done and produced within reasonable time following a Council Meeting. The content and notations within the minutes are within guidelines and meet the intention of the Municipal Government Act (MGA).

The missing or unfilled position appeared to be that of a secretarial/receptionist position. No one could answer whether or not this position was being filled or has been deleted. It appeared that there had not been anyone in the position for some time; meaning either the Development Officer or the Financial Officer had to cover the phones and front counter area when there was a visitor or customer calling or coming into the Town office.

It has to be appreciated that the office staff were spoken to at a time of uncertainty within the office, owing to the unexpected departure of the CAO the previous day; however, they were most helpful where they could be and gave an honest effort where they could. It is obvious that the Council is making changes, however these have not proceeded so far nor have they been in the position to communicate their staffing plans at the present time.

### **Recommendations:**

***1). It is recommended that Council conduct a thorough review of the positions within the Town Office. Providing clarity as to position responsibilities should be a key element in the review so that staff know their boundaries and be allowed to carry out the wishes of Council with c***

***2). It is further recommended that a key component of the office operations is cross training of staff. This will always assist when there are planned or unplanned vacancies within the small office structure.***

### **Agreements with Other Municipalities**

The Council has entered into agreements with the neighbouring municipalities to provide services where it was deemed practical to do so. Most of these agreements are well written and their intent is quite clear. Some of these agreements are as follows:

- ***Spirit River/Rycroft – Fire Services Automatic Aid Agreement*** - This agreement beefs up Fire Response service automatically by compelling both jurisdictions to respond in the event of a Fire Incident in either jurisdiction. It is clearly laid out as to protocol and responsibilities of each. This agreement was signed September 11, 2009. Because of the close proximity of the Town and the Village of Rycroft it makes much sense from a service perspective to have this type of agreement and it contributes significantly to risk reduction for both municipalities.

- Regional Assessment and Review Board Services - This is a five municipality agreement for purposes of lawfully hearing assessment appeals within the region. This agreement was signed on July 28, 2010. It is very common in Alberta to share this resource owing to the training and education obligation placed on municipalities by the Province.
- Disaster Services – This agreement allows for the management of disaster service by the Saddle Hills County and outlines the cost sharing to fund a qualified Disaster Services Manager.
- Central Peace Region – Emergency Management Mutual Aid Agreement – This agreement lays out the framework for the training of personnel and sets out the procedure for invoking mutual aid between the five municipalities. This is only for in the event of a disaster or emergency and does not substitute or replace existing agreements for the sharing of firefighting resources.

There are a number of other agreements in place that the parties have collaborated on that demonstrate a very cooperative approach to resource sharing amongst the area municipalities. The Council's and administration's are to be commended for putting these arrangements in place. The foregoing is mentioned simply to illustrate that there is a strong sense of cooperation within the region that can be continued and developed further if willing parties are motivated to do that.

In speaking to the Mayor of the Town it became quite clear that it is the intention of the current Council to adopt a shared services approach with the neighbouring municipalities wherever possible, not only for cost savings reasons, but for simple efficiency reasons. This is strongly recommended at this time as a practical, timely approach to resolving some of the issues brought forth in the Petition and to build better, stronger strategies in the Spirit River region in the future.

In Alberta, the trend is for smaller municipalities to move toward regional collaboration and shared services in an effort to achieve worthwhile goals for their residents. The concept has been adopted by the Ministry who has come for with special provincial programs to assist in this area. A current program that is relevant and could be taken advantage of by Spirit River is the **Regional Collaboration Program** sponsored by Municipal Affairs.

This can be found on Alberta's website at:

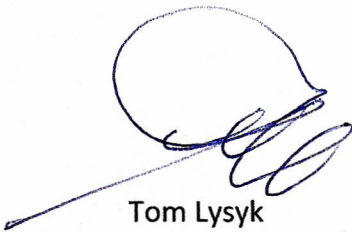
[http://municipalaffairs.alberta.ca/MC\\_regionalcollaborationprogram.cfm](http://municipalaffairs.alberta.ca/MC_regionalcollaborationprogram.cfm)

The objective of this program is to improve the viability and long-term sustainability of municipalities through strategic activities related to regional collaboration and capacity building. This concept is perfectly suited to the Town who has a close relationship with their immediate neighbours; being the MD of Spirit River and the Village of Rycroft. It is also an opportune time to make a concerted effort in this area.

**Recommendations:**

- 1) That the Town engage the neighbouring municipalities in discussions that are specifically designed to lead to a fuller shared services approach in providing municipal services in the Town and within the region.***
- 2) That the Town seriously consider making an application to Alberta Municipal Affairs along with the neighbouring municipalities under the Regional Collaboration Program to assist in supporting their regional collaboration initiatives within the region.***

Respectfully submitted this 1st day of March, 2011

A handwritten signature in blue ink, appearing to read 'Tom Lysyk', with a long horizontal line extending to the left.

Tom Lysyk

Thomas R L Management Inc.  
Lloydminster, Alberta