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Alberta Municipal Affairs Town of Penhold Municipal Inspection

Final Report

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Executive Summary

A sufficient petition was received from the residents of the Town of Penhold on August 1, 2012 requesting the Minister of Municipal Affairs to, “Open an inquiry into the municipality, with focus on the actions and performance of the CAO, administration and mayor and council.” The petition also indicated that, “We the taxpayers feel that the mismanagement of the municipalities resources have resulted in an unfair tax rate”. Russell Farmer and Associates was appointed by the Minister of Municipal Affairs to complete an Inspection in accordance with Section 571 of the Municipal Government Act.

During our inspection, we identified a number of areas of interest. These have been divided into the following subject matters: Working Relationships, Council Operations, Administration, Relationship between the CAO and Residents, Communication to Residents, Business Licenses, Impact of Industrial Business on the Town, Perception the Town is Anti-business, Mismanagement of the Fitness Center, Town Office Moving to Multiplex, and Other Matters. Our inquiry into these matters has resulted in sixty-three recommendations for improved operations.

Working Relationships

The working relationships were examined in the following areas: within Council, with Councillor Hoffman, between Council and the CAO, between Council and administration, and within administration.

Generally, intra-Council working relationships were identified as functional, but at a working level only. Relationships with Councillor Hoffman were complex, at times difficult, and mixed with two opposing perceptions – those that believed he was representing Penhold taxpayers and those who believed he was representing himself rather than the Town. Prior to the inspection, Councillor Hoffman had been removed from all Council committees.

Overall, relations between Council and the CAO are excellent with most of the Councillors indicating that the CAO is doing an excellent job and providing Council with enough information to make decisions in a timely fashion with solid recommendations. While concerns were raised about Council “rubber stamping” recommendations from the CAO or his staff, these were proven to be unfounded during a review of the minutes.

Generally, the relationships between Council and administration were considered good; however, there was a perception that Mayor Cooper has directed staff without going through the CAO or a manager.

Finally, relationships within administration are generally positive and supportive. A few issues were addressed in this review including the need to have better understanding with multiplex staff, support provided to community services by public works, and the perceived and/or real availability of the CAO when out of the office.

Based on these issues, we made the following recommendations:

1. Council continues to build on the social media and provide annual training and education on the use of social media individually by Councillors as well as how Councillors should respond to issues posted on social media.
2. When a Councillor has issues with administration or administrative departments the issue should be identified to the CAO. If a Councillor wants action taken, such actions should be included as part of a motion in Council.
3. Develop a communication approach to improve the understanding of what each department does on a day-to-day basis. An example of one possible approach would be for each department to develop a description of “what we do” on a day-to-day basis that is provided to all departments.

Council Operations

Generally, Council does appear to be following a good decision making process and appropriately respectful of the governance process in their meetings. Council minutes appear to be managed appropriately, and Town bylaws appear to be properly written, recorded, passed, and indexed, for the most part. Council appears to have had adequate orientation and executes on its requirement to conduct an annual review of its CAO.

However, Council has some improvements to consider in the following areas:

- Developing a strategic plan that is easily communicated, understood, and seen as transparently linked to the day-to-day operations by administration;
- Maintaining rules of confidentiality, at all times, for items discussed in camera and/or prior to information being shared through a motion of council;
- Refraining, as individual Councillors, from directing administration without the consent of Council and a motion of Council to the CAO; and
- Removing an individual Councillor from Council chambers when a pecuniary interest is declared.

As a result of the above issues, we recommended the following:

4. Each department develops an operational plan that clearly identifies the activities that are linked to the strategic plan, those activities that are day-to-day operations and include the budgetary impacts of each of the activities.
5. Directions provided by Councillors to the CAO during Council meetings be provided through a motion of Council. This removes any ambiguity for the CAO as to whether he is expected to fulfill the directions provided by Council and provides Council with a feedback mechanism to track whether the CAO is completing the activities to fulfill the direction.
6. A review of the storage of their meeting minutes be conducted to address the issue with the outdated file folders.
7. The recording of notes and comments within the meeting minutes be discontinued. Particularly, the purpose of the round table section of the meeting minutes be reviewed and discussed to ensure that notes and comments are not contained within the meeting minutes.
8. A system be developed where motions within meetings are given a unique identifier that allows the motion to be tracked and incorporated into the current report provided to Council on administration's progress in completing motions of Council.
9. The storage of bylaws be reviewed in order to: remove any repealed bylaws from the binders; review and update bylaw indexes, and determine a consistent approach as to whether the Town seal will be used on bylaws moving forward.
10. Review bylaws 689/12 and bylaws 681/12 to correct the typographical errors.
11. The CAO performance reviews are conducted at a six-month interim point, as well as annually, with the key performance measures and objectives clearly laid out.
12. Where performance concerns are raised, develop a specific action plan with deliverable dates agreed to for follow up review. This applies in a general sense, as well as in the cases of performance concerns that have been identified to date and not currently resolved to Council's satisfaction.
13. We recommend that the CAO and Council discuss appropriate mechanisms for more effective and efficient delegation as appropriate.
14. Develop a five to 10 year capital replacement strategy.
15. We recommend that, in the future, if a 360 degree review is conducted (on the CAO or any staff), that it follows the normal standards expected and outlined in this report

Administration

We reviewed all operations of the municipality, looking at each department, human resources practices, budgeting practices, staffing levels, and financial practices. We benchmarked the municipality's financials, staffing levels, and tax rates against the publically available information of 20 peer municipalities with similar populations and revenues that were no more than 1.5 times that of the Town of Penhold. Based on the review of these items, we recommended the following:

16. The CAO determine how additional support could be provided to the Planning and Development officer during peak workload times, particularly when new developments are occurring within the Town.
17. The CAO conduct a cost/benefit analysis for the Town of moving to a regionalized fire department model for providing fire protection. This analysis should include resident input into the idea of moving to a regionalized system.
18. Communication within the organization be reviewed to improve communication between each department and to improve communication of Council decisions to the front line staff, particularly when a decision made by Council impacts front line staff.
19. The Town develops an approach to clearly communicate to visitors where to go if they have questions when entering the multiplex.
20. The CAO identify an acting CAO when he will be out of town for one day or more.
21. Discontinue the use of personal email addresses by staff.
22. As part of the budget process, Council should provide administration percentages or dollar amounts as benchmarks in order to provide some direction in developing the budget.
23. Clearly define which positions are included on the management team and which positions are not on the management team to reduce confusion within the organization.
24. The Town of Penhold change its definition of a full-time equivalent (FTE) position to be based on a full-time work week that better aligns with the competitive landscape. This would mean a minimum of a 35 hour work week (with a choice of a 37.5 hour or 40 hour work week) for administration/office staff and 40 hour work week for outside staff.
25. Define an administrative definition for casual staff that fits in with the operational needs of the Town. Include this definition in the Employee Handbook.

26. The Town defines clear reporting relationships with all positions. Specifically, if a manager is to review the performance of an employee, that employee should report to that manager during the performance period.
27. The Town implements one of the three organizational design options considered in this report and addresses any training and development implications associated with the option chosen.
28. The Town implement a clearly defined human resource function with staff resources fully dedicated to this function. This includes separating the role from the accounts payable/receivable duties and advancing the knowledge, skills, and experience of the individual through a training and development plan outlining specific courses and mentoring opportunities, both within and external to the municipality.
29. The Town, through the combined efforts of the CAO and the Human Resources Manager, develop a plan to advance the people management skills of its current managerial staff.
30. Review the compensation philosophy, policy, and practices for performance and Cost of Living Allowance (COLA) increases provided to staff.
31. Review the current salary grid for competitiveness to local and peer municipalities.
32. Ensure that there are consistent practices around where and why an employee is placed on the salary grid.
33. Clarify the process for performance reviews including the connection between an employee's performance and the expected salary increase recommended by an employee's manager and/or CAO.
34. Ensure that there is a seamless connection of process between the compensation budget approved by Council and the decisions made and communicated by the CAO, Human Resources Manager and finance/payroll. Further, that where discretion remains in the administration of pay by the CAO, that performance criteria are more clearly defined for employees such that they understand what actions or changes need to be taken to improve performance relative to pay increases.
35. Increase the consistency of management decisions, including ensuring that the decisions are communicated transparently to employees.
36. Determine a secure and central location to store both human resources (employee) files and payroll/benefit/pension/WCB files. Make a decision on whether there are separate or combined files. Ensure that the recommended and required information is stored in the

files. Where there are multiple files, make a clear decision that can be followed by those responsible for maintaining the files on how to handle the possibility of duplicate information. Ensure that operational information is not stored in any of these files.

37. Develop a clear policy and procedure around records retention and destruction, including employee files and recruitment files.
38. Follow the recommended practices outlined in this report for the performance reviews of employees. Ensure that these reviews are conducted, at a minimum, annually, and at a better practice level of quarterly.
39. For job descriptions, follow the recommendations outlined in this report to ensure clarity and consistency of information.
40. Review the Town's policies and procedures on a regular basis, typically every two to five years.
41. Clarify the role of the CAO and the Human Resources manager in the review of and development of new administration policies. Determine a schedule of priorities for these policies and communicate to those involved the progress on this schedule.
42. Clarify the rationale for the increase in the Town's spending on Council, Legislative functions and related expenses in relation to the comparator group.
43. Clarify the rationale for the higher than average percent rank among the Town's comparator group in the Town's Salaries, Wages and Benefits.
44. Determine, by way of an exit interview (conducted by the internal Human Resources function or an external consultant) the underlying reasons for employees exiting the Town. Once determined, make clear action plans to address the areas as identified.
45. Develop an onboarding program with the goal to orientate and engage employees in the organization on hire and throughout the course of their employment with the Town.
46. When hiring, ensure that there is a clearly defined role for the employee, with clear performance accountabilities for the employee to be measured against.
47. Review the job design, accountabilities, and performance outcomes required by each function and position within administration to determine where efficiencies can be gained to better align staffing levels with comparator benchmark municipalities and/or provide defensible rationale on differences.

48. Conduct a review of staffing levels within the organization, particularly in administration, to determine if staffing levels match with the expected growth in the Town.
49. The Town continues to explore opportunities to increase its industrial and commercial tax base in order to diversify the tax burden currently being borne by residents.
50. The Town develops a thorough explanation of its roles and responsibilities as they relate to property taxes, the components that are included in property taxes including the municipal mill rate, education tax and senior's contribution and provide the explanation to residents on their website and social media.

Relationship between CAO and Residents

During this review, we received two opposing perspectives of the current CAO. One perspective called for the CAO's resignation/termination due to a contention that he mismanaged the resources of the Town and has been difficult to deal with on resident issues. The opposing perspective welcomed the CAO's instrumental involvement in the growth of the Town and obtaining grants and funding in building the multiplex and high school. We noted that underlying these opposing perspectives, the current CAO holds the support of the majority of Council and that the relationship between Council and CAO is mostly positive.

Resulting from our review, we made the following recommendation:

51. The CAO takes into consideration the opposing perspectives of the Town's residents and work with Council and his administration to put in place an action plan that can start addressing the negative perceptions of some residents. This could include the development of a communication plan ensuring that accurate and timely information is available to residents on multiple media platforms, continued "Coffee with Council", and ensuring that resident concerns are addressed in a timely manner and done with clarity and transparency.

Communication with Residents

During our review, residents, and employees on behalf of residents, expressed the concern that the Town needed to be more pro-active in its communication with residents. The Town does communicate to its residents in a variety of media. However, it was noted that the Town could improve in this area. We recommend the following:

52. Engage in the development of an organizational and residential communication plan that addresses resident questions and concerns in face-to-face, electronic, and paper methods. Measure and monitor the success rates of each method, including resident turnout at events.

53. De-clutter the Town website such that important and timely messages can be viewed by residents easily and quickly. Note: financial statements are difficult to find as they are currently located under the title "Tax Information". Title should be changed to read "Tax Information and Financial Statements."
54. Where effective, continue the "Coffee with Council", open houses, and departmental priorities meetings to ensure transparent communications with Council's key stakeholders or interest holders.

Business Licenses

The review identified that there was a lack of clarity and understanding on what a business license is within the Town of Penhold. Based on this issue, we recommended the following:

55. The Town provides an interpretation of the business license bylaw that clearly indicates what is considered a business and what would not be considered a business, including common questions asked of the municipality as well as examples where there have been issues in the past.

Impact of Industrial Business on the Town

The impact of industrial business along Fleming Avenue was raised as an issue in this inspection. Specifically, the issues of air quality and health risks as a result were brought forward to the Town. The Town responded with a temporary air quality monitoring requirement; however, the results of the report were not available during the time of the writing of this report. Additional issues were raised regarding the parking of large trucks on Fleming Avenue. At the time of the writing of this report, the Town was aware of this issue and was working with the business owner to resolve the problem.

Perception the Town is Anti-business

Residents expressed concern that there was a perception that the Town was considered anti-business. Exacerbating factors involved the location proximity to Red Deer and Innisfail, the fact that a large proportion of residents work outside of the Town, and a negative perception of the Town from those external to the Town. The Town has created an economic development committee with the intention to address these issues. We recommended the following:

56. The Town continue with the Economic Development Committee in order to draw additional industrial and commercial businesses to the Town.

Mismanagement of the Fitness Center

There was a perception by residents that the Town had mismanaged the fitness center in the multiplex, specifically as it related to the privatization and leasing of the space to a business to run. As this business venture failed rather quickly, the Town was unable to collect rent from the business for several months. The Town subsequently took over the management of the facility, providing services to those individuals who had purchased memberships. The Town has attempted to find a commercially viable alternative way of operating the facility, but has been unsuccessful. The Town is currently working on setting up a fee structure so that the center is operated on a cost recovery basis, rather than being supported by tax dollars.

Based on this, we recommended the following:

57. Council determines if the Town will continue to provide fitness center services.
58. If the answer is no to recommendation number 57, then administration needs to provide Council with a recommendation and options for the highest and best use of the space in the Multiplex (which may be a fitness center) and determine what actions need to be taken to attract an appropriate business (or businesses) to the space.
59. If the answer is yes to recommendation number 57, the Town set a fee structure for the fitness facility with the goal of cost recovery.

Town Office Moving to Multiplex

Resident concerns were raised regarding the loss of potential rental income when the Town consolidated its office space into the multiplex. The Town did conduct a cost benefit analysis of moving the office into the multiplex versus renovating the old office versus building a new office. It was concluded that the least cost alternative was to consolidate office space into the multiplex.

Other Matters

Residents identified two additional areas of concern, specifically misinformation to residents and property flooding. We investigated these concerns and recommended the following:

60. Council and administration work jointly on a communication plan to address any misinformation that is circulating among residents and/or employees.
61. The Town meets in a public forum with residents that have expressed concerns over flooding to outline the Town's responsibilities, the resident's responsibilities and the Town's approach to mitigating any issues that are their responsibility.

Concluding Comments

The issues presented and discussed in our Inspection report have identified a number of areas of concern with the CAO and Council. At a high level, these include the following:

- Working relationships between Councillor Hoffman and the rest of Council;
- Working relationships between Councillor Hoffman and administration;
- Communication and misinformation between the Town and its residents; and
- A functional working gap of human resources knowledge, policies, and practices within the Town.

The petition identified mismanagement of resources and a high tax rate being the impetus for the review. We found the following:

- Providing a promoter with approximately \$25,000 and not receiving services from that promoter. Legal action was considered and dismissed given the high cost compared to what would be recovered; and
- The Town of Penhold is near the top end of the tax rate compared to its comparable municipalities, but does not possess the highest tax rate. The comparator with the highest municipal mill rate is more than 2 mills higher than Penhold. The most significant issue impacting the residential mill rate is the lack of industrial and commercial tax base.

Our final recommendations were as follows:

62. Councillor Hoffman has no further contact with staff within the organization except for working, through Council, with the CAO to answer his questions and issues.
63. Councillor Hoffman refrain from making negative comments about Council and administration in the media and social media.

Background

The Town of Penhold has a population of approximately 2,476 residents (as reported to Municipal Affairs for 2012). The Town is located in central Alberta within close proximity of two larger urban municipalities, the City of Red Deer and the Town of Innisfail, and within Red Deer County. In the last five years the Town has grown considerably from 2,114 residents in 2007 to the current population of 2,476 which is a 17 percent increase over five years or an average increase of 3.4 percent a year. A significant portion of the new residents in the Town are young families which are impacting the demand for services within the Town, including access to child care, schools, and recreational activities. A large proportion of residents work in communities outside of Penhold creating additional pressures on the Town for infrastructure and programming.

The Town has seven Councillors, with the residents electing a mayor and council, and appointing a deputy mayor at the organizational meeting following elections. At the time of this inspection the Town has a CAO, a CFO, a Public Works Manager, Community Service Manager and a Multiplex Manager. Additional staff includes an HR/Office Manager, Development and Planning Officer and a Volunteer Fire Department Fire Chief. In terms of headcount, the municipality has 27 full-time staff and 11 part-time/casual staff using Penhold's full-time definition of 30 hours or more per week (aligned with the Local Authorities Pension Plan eligibility definition).

A sufficient petition was received from the residents of the Town of Penhold on August 1, 2012 requesting the Minister of Municipal Affairs to:

“Open an inquiry into the municipality, with focus on the actions and performance of the CAO, administration and mayor and council.” The petition also states “We the taxpayers feel that the mismanagement of the municipalities resources have resulted in an unfair tax rate”.

In response to the petition, the Minister agreed to complete an inspection looking at the management, administration, and operation of the Town. This municipal inspection was to be completed in accordance with Section 571 of the Municipal Government Act (MGA).

Methodology

The inspection has been undertaken by conducting a review of the following:

- Municipal records including Town of Penhold Council minutes, human resource files and grant files;

- Business decisions made and the rationale of those decisions;
- Town bylaws, ensuring completeness, proper signing and sealing, and filing in a proper register;
- Financial records including budgets, audited financials, expense claims, and general ledgers;
- Land sale documents and files;
- Documents and correspondence relating to matters of interest identified during interviews; and
- Various documents provided by members of the Town of Penhold Council and administration.

In addition to the above documentation and files, interviews were undertaken with the Town of Penhold's Mayor, current Council members, the CAO, managers, administrative staff, public works staff, and multiplex staff. Additional interviews were conducted with concerned residents, residents who witnessed the petition sent to the Minister and other key residents and business owners as identified during the inspection.

The review focused on three key areas within the organization:

- Governance:
 - To review the functioning of the Town of Penhold's Council as a leadership body providing strategic direction;
 - To review decision making processes;
 - To assess understanding of roles and responsibilities; and
 - To evaluate current working relationships amongst Council and between Council and administration.
- Operations:
 - To assess the budgeting process, financial operations, and financial controls;
 - To assess the municipality against best practices for efficiency and effectiveness;
 - To assess administrative processes and policies;
 - To review the current financial position of the municipality; and
 - To evaluate Council meetings for efficiency and effectiveness.
- Structure:
 - To identify whether current municipal employees have the capacity to carry out their duties as required;
 - To assess the overall organizational model looking at size, reporting relationships, and responsibilities; and

- To evaluate the use of committees and determine if they are operating effectively.

Working Relationships

This section of the report focuses on the working relationships between the various groups within the organization. The relationships reviewed include the working relationship between the Town of Penhold's Councillors, Council and the Chief Administrative Officer (CAO), Council and administration, CAO and administration and relationships within administration itself. The comments provided are focused on the current Council and moving forward rather than on past councils. In some cases historical information may be included in the report.

Council

Council's ability to function as a group is a key area that we investigated during this review. A review of Council minutes indicated that there are no irregularities in how Council is voting on issues with one exception that will be discussed later in the report. As a group, our investigation identified that Council is functioning; however, the Councillors indicated the group functioned at a working level only and they had not developed into a highly functional team. Some of the reasons provided for not developing into a highly functional team included the following:

- Past history – The current mayor, Mayor Cooper, replaced a long standing mayor who had worked with a significant portion of this Town Council. As a result, there was a period of adjustment with the current mayor. During the election, some of the current Councillors supported the previous mayor. Our investigation indicated that this issue has not significantly impacted the working relationships on Council, but Council has not been able to develop the level of trust within the group to develop into a highly functioning team.
- Actions of Councillor Hoffman – The actions of Councillor Hoffman during the current term have significantly impacted the level of trust on Council. The issue culminated with Council removing Councillor Hoffman from all committees and boards as a representative of the Town and requiring Councillor Hoffman to turn in his keys to the administrative office. This issue will be discussed in further detail later in the report.
- Keys to administrative offices – As Council's role is governance, there is little need for each Councillor to have keys to administrative offices. We recommend that Councillors do not have keys to administrative offices. When committees are meeting after office hours there is normally a representative from administration present at the committee meeting as well as Council representation.

- Communication with the public and media – Throughout this term, there have been several incidents where statements made to the media or through social media have impacted the level of trust and the relationships on Council and administration.
- Confidential information – Several Councillors indicated that residents had confidential information about the Town that was discussed in camera. The information would have had to be passed on to residents by Councillors and therefore impacted the level of trust on Council.

Relationship with Councillor Hoffman

The relationship between Councillor Hoffman and Council and Councillor Hoffman and administration was an issue identified during the inspection. The perception of Councillor Hoffman is split into two views: those who believe that Councillor Hoffman is representing the taxpayers in Penhold; and those who believe that Councillor Hoffman is representing himself rather than the Town. The relationship between Councillor Hoffman and the rest of Council reached the point where Council removed Councillor Hoffman from all Council committees. An additional issue resulting from Councillor Hoffman's actions occurred after he was removed from the volunteer fire department. Councillor Hoffman voted against accepting the report of the Fire Chief as information on several occasions. This suggests that the Councillor was voting based on his personal interest rather than in the interest of the Town as it is unusual to not accept a report from administration as information unless there are amendments that need to be done to the report. Councillor Hoffman indicated that he voted against accepting the reports from the Fire Chief because he believed that they were incomplete and did not represent the current situation in the Fire Department. In such cases, we would recommend that the councillor ask for a review of the Fire Department by motion in Council. If Council supports the motion then the review can be conducted by the CAO or consultants and if the motion is defeated then the matter is concluded.

Additional issues identified with the relationship between Councillor Hoffman and Council includes:

- Councillor Hoffman's use of social and other media – Participants indicated that Councillor Hoffman has been critical of Council and Council decisions in the media. An example is the January 29, 2013 article in the Innisfail Province titled "Rebel councillor vows to fight on." The article highlights the issues that have led to the dysfunctional relationship between Councillor Hoffman and the rest of Council. A generally accepted practice is for Council to appoint a sole representative to manage both the message and relationship with the media; therefore, the rest of the Councillors are expected to defer any comments in the media to the mayor, in this case, Mayor Cooper. There are multiple examples where Councillor Hoffman has commented in the media on the conduct of

Council and administration. It should be noted that Council has adopted a code of conduct that indicates that the mayor is Council's representative for speaking with the media. The code of conduct was adopted in October of 2012.

- Councillor Hoffman's attendance at a resident's meeting regarding resident concerns on taxes and other issues – On June 27, 2012 residents assembled on a Penhold resident's front lawn to discuss issues related to taxes and additional issues with the Town and the management of the Town. The July 3, 2012 Innisfail Province article regarding this meeting states that "Chad Hoffman, attending the meeting as a taxpayer instead of town councillor" This statement highlights Councillor Hoffman's misunderstanding of his roles and responsibilities as a Councillor. Although Councillor Hoffman claims that it is possible for him to "take off my councillor hat" at any time, practically speaking, when a councillor is dealing with residents and the public – particularly at a public meeting that is discussing issues with council, administration and the CAO – it is not possible for this separation to occur.

- Supporting this, in the Round table discussion in the July 16, 2012 Council minutes, Councillor Hoffman's section has indicated that he

"Put out surveys there [at the resident meeting] pertaining to information about the Town. What people like and dislike about Penhold."

- When asked by Mayor Cooper to submit his survey to Council, Councillor Hoffman identified that he did the survey as a resident and not as a councillor; therefore, he did not feel obliged to submit his survey responses to Council as this would not be required by a resident.

In giving Councillor Hoffman an opportunity to respond to this issue, he indicated that his intention was to attend the meeting in order to hear the issues that residents had with Council. In this follow up discussion, Councillor Hoffman did indicate that he understands that he can't "take off his Councillor hat" and attend a meeting as a taxpayer.

- Intimidation and bullying tactics – There is a perception that Councillor Hoffman uses intimidation and bullying tactics. Participants indicated that Councillor Hoffman has followed them around Town in his vehicle in an aggressive manor. Their perception is that the Councillor was trying to intimidate them by his actions.
 - Additionally, in the January 29, 2013 Innisfail Province, an article on Councillor Hoffman indicates that he is a "...9mm gun possessing..." individual. Some

participants indicated that by specifically including the possession of a hand gun in this article, this was another attempt to intimidate staff and Council.

Councillor Hoffman indicated that it is not his intention to intimidate or bully people within the Town's organization.

- Conduct within the Volunteer Fire Department – When Councillor Hoffman was dismissed from the volunteer fire department, he developed a report on the fire department that he wanted Council to review and act upon as his last duty as Council's representative to the Fire Department. In the February 13, 2012 minutes round table section Councillor Hoffman states that he:

“Would like to discuss his final fire department report. Would like Council to look into the Fire Chiefs duties and why he doesn't hire Penhold residents.”

- We recommend that the process for dealing with an issue such as this would be for the Councillor to make a motion to review the Fire Department and Fire Chief and have Council vote on the matter. Whatever decision that is made by Council would be understood to have addressed the matter.
- Administrative relationship respecting the Volunteer Fire Department – Reviewing the volunteer fire department and ensuring that the department is meeting the needs of the Town is an operational responsibility of the CAO. If Councillor Hoffman had an issue with the fire department and how they function then he should work with Council through the CAO to address the issue. The matter is complicated by the fact that Councillor Hoffman was on Council when he was dismissed from the volunteer fire department. This further contributed to the degradation of his relationship with administration.
- Councillor Hoffman's working relationship with Council – Councillor Hoffman indicates that he feels that he has been ostracized by Council and there hasn't been an attempt at open and honest communication to identify the issues between the Councillors and determine how the issues could be resolved. This perception is in direct contrast to the perception of the rest of Council as they indicated that they have tried to reach out to Councillor Hoffman and work with him to resolve the issues. The dissonance between these two perceptions has contributed to the deterioration of the relationship on Council.

Council and CAO

The Chief Administrative Officer is Council's one employee. The role of the CAO is difficult, both in its need to support Council at the governance level of the organization and at the same time being responsible for the operations within the municipality. Overall, the relationship

between the CAO and Council is excellent with most of the Councillors indicating that the CAO is doing an excellent job, providing them with the information that they need to make decisions in a timely fashion and providing excellent recommendations. One of the common comments provided by Councillors is that the CAO was instrumental in applying for and receiving the grants needed to build the multiplex within the Town and that the CAO was the best thing that has happened to the Town. One of the Councillors did not share this general view and indicated that the CAO had his own agenda and that the CAO was not following the directions of Council. Further investigation indicated that the CAO is following the motions of Council and is providing a quarterly report to Council indicating progress toward the motions made by Council in the previous quarter.

One of the issues raised during the inspection is that Council decisions were rubber stamps of the recommendations provided by the CAO. There is a perception by some participants that the CAO is running the Town and Council does not disagree with his recommendations. Further investigation identified the following sample of recommendations made to Council that were defeated:

- In the February 11, 2013 Council meeting, the proposed utility rate increase was defeated;
- In the September 24, 2012 Council meeting, the proposed budget increase of 2.97 percent for the Parkland Regional Library was defeated;
- In the June 11, 2012 Council meeting, the proposed tax penalty bylaw “schedule A” was defeated;
- In the May 28, 2012 Council meeting, the proposed purchase of a tanning bed was defeated; and
- In the March 11, 2013 Council meeting, the CAO’s recommendation pertaining to the Off-site Levy bylaw 667/12 was defeated.

It is clear that Council is making their own decisions and are not “rubber stamping” recommendations by the CAO or his staff.

Council and Administration

Interview participants indicated that there is a good working relationship with most of Council. For the most part, Council is carrying out its expected governance and oversight responsibilities and works through the CAO in order to direct administration. As a general rule, the separation of roles between council and administration should always be a key consideration when individual Councillors consider their actions. A couple of key considerations include:

1. The primacy of council. Only council as a collective body has the authority to govern. No individual Councillor has the authority to direct administration or to commit the Town to any course of action or expenditure in the absence of a council resolution.
2. Council acts on a strategic level and is focused on policy and service standards. Administration acts on an operational level and meets the policy requirements and service standards set by Council.

During the investigation there were issues identified with Mayor Cooper and Councillor Hoffman in regards to their interaction with staff. The main issue focuses on the mayor directing staff without going through the CAO or manager. Staff indicated that the mayor often interacts with them on a personal level, but there are cases where the mayor tries to direct staff in their work. For the most part, when this happens the CAO is notified and the issue is dealt with through a conversation between himself and Mayor Cooper.

The following outlines the issues with the relationship between Councillor Hoffman and administration.

- There is a perception of staff that Councillor Hoffman waited outside of the Town office one morning and recorded when staff arrived at the office in order to identify those staff that entered the building after 8:00 am – the time the Town office opens. It should be noted that Councillor Hoffman indicated that he was waiting outside the office as he was waiting for the office to open. It was not his intention to track when employees are coming into work. When Councillor Hoffman entered the office he indicated that he asked staff, “where is everyone?” This statement was interpreted as the Councillor was tracking when staff entered the office. The operation of the municipality and management of the staff is within the purview of the CAO. Section 201 of the MGA clearly states:

Part 6, Section 201, subsection 2 – Council’s Principal Role in Municipal Organizations

(2) A council must not exercise a power or function or perform a duty that is by this or another enactment or bylaw specifically assigned to the chief administrative officer or a designated officer.

Further, section 207 of the MGA outlines the Chief administrative officer’s responsibilities as:

Part 6, Section 207 – Chief Administrative Officer’s Responsibilities

The chief administrative officer

- (a) is the administrative head of the municipality;*
- (b) ensures that the policies and programs of the municipality are implemented;*
- (c) advises and informs the council on the operation and affairs of the municipality;*
- (d) performs the duties and functions and exercises the powers assigned to a chief administrative officer by this and other enactments or assigned by council.*

Tracking employee hours and ensuring that employees are arriving at work on time is the responsibility of the CAO and in most cases the managers of the individual departments. Councillors have no role in tracking and monitoring when staff enter the Town office and do not have the appropriate background information to make any decisions in determining whether arrivals are on time.

- Councillor Hoffman developed a report on the volunteer fire department after he was dismissed by the fire department. Reviewing the operations of the volunteer fire department is an operational role. In circumstances where a review is deemed as appropriate, Councillors must work through council and the CAO to have the review conducted, with a report provided back to council by administration. In this case, Councillor Hoffman should have worked through the process using this accepted practice.
- Some interview participants indicated that Councillor Hoffman has followed them around Penhold and perceived his actions as aggressive and an attempt to intimidate them. Councillor Hoffman indicated that he only wanted to talk to some of the staff and that is why he was following them. It is inappropriate for a Councillor to follow a staff member around the community trying to talk with them. If the Councillor has an issue with a staff person then the appropriate channel would be to work through Council and the CAO to deal with this issue.
- Some interview participants indicated that they are uncomfortable being in the same room/building with Councillor Hoffman due to his past actions.

All of these factors contribute to a poor relationship between Councillor Hoffman and administration.

Administration

Participants indicated that the working relationships among the members of administration were generally positive and supportive of each other's departments. Particularly, members within each department indicated that their relationships and team work is excellent. A few of the issues noted during the review include the following:

- Understanding between administrative staff and multiplex staff – Participants indicated that there is some misunderstanding between administrative staff and multiplex staff in regards to the amount of staff within the multiplex. In some cases, administrative staff will contact multiplex staff to help them with tasks such as setting up office furniture. The primary issue is that, at any one time, there is rarely more than two staff available within the multiplex building itself (excluding the fitness center which has its own staff and the full time clerk who works in the administrative office and is not within the facility), including the manager. It is difficult for multiplex staff to support administrative staff when there are only two staff members, at most, on at one time.
- Support provided to community services by public works – In a few cases when community services required emergent support from public works there were issues with the timeliness and demeanor of the public works staff. In one example, the issue had to be resolved immediately in order to safely secure a building and the perception was that the support was provided grudgingly.
- Availability of the CAO – In the current organizational structure, the CAO has nine direct reports. The CAO’s direct reports were universally supportive of the job that he is doing in the municipality and how he is managing them. One of the findings from our investigation is that many of the CAO’s direct reports indicated that they would like more support from the CAO, but understand that he is “stretched” thin and is unable to provide the support due to his limited time.

We recommend that:

1. Council continues to build on the social media and provide annual training and education on the use of social media individually by Councillors as well as how Councillors should respond to issues posted on social media.
2. When a Councillor has issues with administration or administrative departments the issue should be identified to the CAO. If a Councillor wants action taken, such actions should be included as part of a motion in Council.
3. Develop a communication approach to improve the understanding of what each department does on a day-to-day basis. An example of one possible approach would be for each department to develop a description of “what we do” on a day-to-day basis that is provided to all departments.

Council Operations

Governance Practices

Municipalities must respect the primacy of council as a decision making body. Only council as a whole has the power to set policy, to pass motions, or to direct the activities of the CAO. Individual Councillors have no power or ability to set policy outside of council chambers, only when acting as a part of council as a whole. Section 197 of the MGA requires that council and council committees conduct their meetings in public unless the matter to be discussed is within one of the exceptions to disclosure contained in the Freedom of Information and Protection of Privacy Act (FOIP). Ensuring that all debates and decisions of council occur in public enhances transparency by ensuring that decisions are not occurring in back rooms or arising from private conversations. Furthermore, it is important that the public be allowed to provide input to the decision making process and that members of council do not reach conclusions before all information is provided and a public debate can occur. Transparency should always be an underlying principle of good governance.

In evaluating the Town of Penhold's Council as a leadership body, this inspection has looked at several key areas of Council activity.

Strategic Planning

A key function of council is to provide a strategic vision for the municipality and to identify strategic priorities and goals in support of that vision. A strategic plan serves several key functions:

- It provides a sense of priorities for council;
- It supports the development of council agendas, allowing council to act proactively, and not simply reactively as issues arise;
- It sets priorities for administration;
- It provides a framework to evaluate the success of both council and the CAO in meeting the agreed-upon strategic priorities; and
- It provides a framework for operational planning and budgeting.

In the Town of Penhold, Council has a strategic plan in place that is used to guide their decision making. Requests for decisions provided by administration identify the pillar or pillars that are linked to the decision being requested. The strategic plan was created during a retreat that involved Councillors and administration. One comment provided by interview participants on the strategic plan is that it was difficult to link day-to-day operations to the strategic plan. Staff was unable to provide us with a document that clearly linked the strategic direction of the Town to

operational plans within each department. In general, the operational plan for each department largely consists of the budget as well as the Town's other major planning documents such as the Municipal Development Plan.

Council Decision Making

Council decision making is a key governance process within any municipality. At the outset of any key decision making process, council should ask a series of key questions:

1. Is this decision time sensitive or do we have time to engage in a detailed decision making process?
2. Do we currently have the information we need to make a decision?
3. What sources of information or professional advice are available?
4. Has our administration provided us with a recommendation based on their expert opinion?
5. What stakeholders are going to be affected, and do we have a responsibility to consult with impacted stakeholders?

Our review of Council minutes and interviews with Councillors indicate that in general, Council is following a good decision making process. Administration provides Council with a request for decision that includes possible options as well as recommendation from administration. Council appears to engage in appropriate debate on issues and individual Councillors vote in the best interest of the Town from their perspective which is not always in agreement with the majority.

Council Confidentiality

Section 153(e) of the MGA states:

Part 6, Division 3, Section 153(e) – General Duties of Councillors

Councillors have the following duties:

to keep in confidence matters discussed in private at a council or council committee meeting until discussed at a meeting held in public;

Rules of confidentiality generally apply to information discussed in camera. It appears that in some cases, information from in camera sessions has been leaked to residents in the community. During interviews one of the main examples of this issue was the information provided to residents at a resident meeting called by one of the main petitioners. Interview participants indicated that some of the information discussed at the meeting was confidential information that was shared in camera at the Town's Council meeting.

Another issue identified during the review was the sharing of confidential information before Council had decided to share the information through a motion of council. Some participants indicated that the mayor announced in the January 29, 2013 issue of the Innisfail Province that the Town had signed a multiplex deal with Red Deer College. Further investigation into the article indicates that Red Deer College and the Multiplex manager presented a potential deal to Council at a Council meeting and this is where the majority of the information from the article was obtained. In the article statements associated with the Mayor include:

“Mayor Dennis Cooper said a lot of behind-the-scenes work is finally bearing fruit” and “We’ve been knocking on your door for many years,” he said to Donlevy, noting the development of the 88 acres of land behind the multiplex could provide opportunities to extend the relationship with the college down the road. “We’re hoping you can be part of those plans.””

In the statements, Mayor Cooper has not indicated that the deal between the College and the Town is finalized, although that could be an interpretation of the article.

Council has integrated guidelines for confidentiality into their Code of Conduct in order to address the issue.

Meetings of Council

Council for the Town of Penhold meets twice a month – on the second and fourth Monday of each month. Council meetings are held on evenings and generally start at 6:00 pm. Council also holds a coffee with Council meeting once a month and a community priorities meeting once a month where Council meets with administration to discuss each department area and their priorities and meets with the public to discuss their priorities. Our review of Council meetings did not identify any major issues with the conduct of the meetings. Councillors are in general respectful and participate in debate on issues. Councillors are respectful of the Chair’s role in conducting the meetings, engage in debate on motions and issues and vote according to their perspective on issues.

One issue identified during Council meetings indicated that Councillors are providing direction to administration as a comment rather than through a formal motion by Council. Individual Councillors do not have the ability to direct administration without the consent of council and therefore if they have an issue they should bring the issue up at council as a motion to provide direction to the CAO. One of the purposes of providing direction to the CAO through motion is that the motion is recorded in the minutes, tracked and reported on by the CAO to council. If direction is provided through comments they should not appear in the minutes and it makes it difficult for the CAO to determine what direction he should take.

Section 172(1) of the MGA states the following:

Part 5, Division 6, Section 172(1) – Disclosure of Pecuniary Interest

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

- (a) disclose the general nature of the pecuniary interest prior to any discussion of the matter,*
- (b) abstain from voting on any question relating to the matter,*
- (c) subject to subsection (3), abstain from any discussion of the matter, and*
- (d) subject to subsections (2) and (3), leave the room in which the meeting is being held until discussion and voting on the matter are concluded.*

In the March 12, 2012 minutes section E.1 financial, Mayor Cooper and Councillor Sitter identified that they had a pecuniary interest in the motion and would abstain from voting as indicated in section 172(1)(a),(b), and (c). The minutes do not indicate that Mayor Cooper and Councillor Sitter left the room for the discussion and vote on the motion being discussed. Additional examples of a Councillor declaring a pecuniary interest and not leaving the meeting were recorded in the February 13, 2012 minutes, April 10, 2012 and May 14, 2012. A Councillor who declares a pecuniary interest is required to remove themselves from the debate and voting on that particular motion. This is done to ensure that there are no perceived conflicts of interest and/or pressure being put on any of the remaining elected officials engaging in the debate, motion, and voting.

Minutes of Council

Minutes of Council are identified as one of the major administrative duties for the CAO in section 208 of the MGA. An examination was conducted of the Town's minutes from 2010 to the present. Minutes of council should:

1. Identify agenda items;
2. Provide the exact motions of council;
3. Indicate motions as "Carried" or "Defeated"; and
4. Be free from comment or quotes.

As part of our inspection we completed a detailed review of Council minutes and identified the following:

- The minutes of Council are available online on the Town's website as well as paper copies are kept in the Town office.

- The MGA – section 208, subsection 1(c) – requires that minutes be provided to Councillors by the CAO and adopted at a subsequent council meeting. It appears that Penhold Town Council approvals of previous minutes were typically well followed and the minutes of the previous meeting are approved in the subsequent Council meeting.
- The signed and dated official minutes of the Town of Penhold were located in binders in a locked and fire-proof cabinet. As the Town had been using hanging file binders, and these had recently been discontinued, the Town had been storing the 2013 signed minutes in a file folder. We recommend that the Town place these in a binder/filing system and place these in the fire-proof locked cabinet with the other official copies so as to safe guard the documents.
- Minutes and agenda packages are placed online on the Town's website and are accessible to the public. These are well documented and organized. The minutes are unsigned and it is unclear if these are the official minutes as per the note on the website. Official signed minutes should be the only copies of the minutes available on the website. Therefore, minutes should not be placed on the website until approved by Council in the next Council meeting.
- The format of Council minutes has been generally consistent
- The package provided to Council prior to meetings contains an agenda, any requests for decision, background documentation provided by delegations who are presenting to Council and additional information needed for council to use as part of their decision making process.
- The minutes contain notes and comments of the discussions undertaken by Council. According to section 208(1) of the MGA one of the major administrative duties of the CAO is:

Part 6, Section 208(1) – Performance of Major Administrative Duties

208(1) The chief administrative officer must ensure that (a) all minutes of council meetings are recorded in the English language, without note or comment;

- The main area where notes and comments are recorded is in the round table section of the minutes. In many cases this section of the minutes contained notes and comments made by Councillors as they reviewed their week identifying the meetings and activities attended from the previous council meeting to the current meeting. One example of this issue occurred in the July 16, 2012 minutes where:

“Councillor Hoffman commented that he has: concern with peace officers, doesn’t know why the town needs 3 Peace Officers; the speeding in Town is ridiculous; and why does the new Patrol officer have a pick-up truck.”

There are many other examples in the round table section of the minutes where notes and comments made by Councillors are recorded.

- Council decisions are preceded by a motion and the vote on the motion is recorded in the minutes. One of the issues identified with Council motions is that in some cases a motion has more than one decision contained within the motion. Examples of this issue are:
 - In the March 12, 2012 minutes. The following motion contains two separate motions – the payment statement for cheque #21687 and the payment statement for cheque #21717.

Councillor Dodman moved that the general accounts for payment and Online Payment Statement be accepted as presented with the exception of Cheque # 21687 Aviation Publication 1991 and Cheque # 21717 Steven Sitter.

Councillor Jones moved to accept Cheque # 21687 Aviation Publication 1991, Cheque # 21717 Steven Sitter.

Carried.

It should be noted that in later Council minutes these motions were separated into two motions and voted on separately.

- The motions in Council minutes do not have a unique numbering system to identify the motion. Including a numbering system is a best practice that allows the municipality to track, monitor and report progress on the motion in a more efficient manner.
- There is an inconsistency in how the recorded votes are labeled in some of the Council minutes. Generally the votes are recorded as In Favor and Opposed for yes and no respectively. Different wording was used for recording Councillor votes in a few of the minutes.
- There were some typographical errors in the notes. None of the errors were significant and largely consisted of misspelled words..

Council Bylaws

All bylaws of a municipality must be properly written, recorded, passed, and indexed. Maintaining the integrity of a municipality's bylaws is a key responsibility of the CAO, as is informing council of their responsibilities under the MGA as they relate to the passing of bylaws. Section 208(1) identifies the CAO's responsibilities as they relate to bylaws.

Part 6, Section 208(1) – Performance of Major Administrative Duties

208(1) The chief administrative officer must ensure that

(d) the bylaws and minutes of council meetings and all other records and documents of the municipality are kept safe;

Municipalities are expected to maintain a bylaw register containing each current bylaw. During this inspection, we conducted a review of the Town of Penhold's bylaws and recent Council minutes to examine the passing and maintenance of bylaws.

The following comments are for the bylaws developed and passed during the time period that the current CAO has been employed.

- Bylaws are properly written, recorded, passed, indexed and available to the public on the Town's website; however, the Town could ensure that all bylaws are available on the website, as it appears that the website has primarily the more common-use bylaws posted.
- The different readings of bylaws have been observed and recorded within minutes of the Town.
- Section 187 of the Municipal Government Act requires that all bylaws have three readings and states that a proposed bylaw must not have more than two readings at a council meeting unless the Councillors present unanimously agree. The intention of separating readings across council meetings is to allow for sober thought and public input. In some instances, three readings of a bylaw occurred in one Council meeting and Council followed the appropriate procedures for passing a bylaw in three readings. Many bylaws are not contentious and can be passed in a single council session and a review of minutes indicates that for some bylaws the third reading of the bylaw was deferred because Council did not unanimously pass the motion.
- New bylaws or updated bylaws include a section indicating that the previous bylaw has been repealed and the date of each reading is included.

- Each page of the bylaw has the mayor's signature indicating that the bylaw has been reviewed.

We further noted that the Town had multiple binders, a total of six dating back to 1971, in a locked and fire-proof filing cabinet that contained the signed and dated copies of the bylaws. In some cases, the Town of Penhold seal was used, but not in others. While the seal is not required, we would advise the consistent application of the Town seal in the future. These binders were not well labeled and contained bylaw index forms that, while intended to make it easier to locate a bylaw, were not always current. Additionally, we noted that the active and repealed or defeated bylaws were filed together. It would be advisable for the Town to provide either a separate binder/filing system or a separate tab within the binders for the repealed or defeated bylaws. The purpose of this is to ensure that there is an official copy of only the active bylaws, free of any confusion as to which are active and which are not. In two cases, we noted that the bylaw readings indicated a typographical error on the third reading. The error indicated two second readings, rather than a first, second, and a third reading. These errors were noted in the following bylaws: 689/12 and 681/12.

CAO Performance Evaluation

A strongly designed performance review on a CAO can serve several key functions, including:

- Setting measurable and achievable objectives – quarterly and annually – for the CAO to achieve that directly supports the strategic direction of the municipality;
- Monitoring and identifying the measurable ways in which the CAO's performance contributes to the organization's goals;
- Monitoring and identifying the ways in which the CAO's performance needs to improve to meet the organization's goals, including ways in which council can support the CAO's efforts;
- Allowing council to review essential job functions with the CAO, and update his/her job description accordingly; and
- Providing documentation of performance that supports salary increases, disciplinary actions, or termination.

Once the strategic direction of the municipality is determined, it follows that the performance objectives of the CAO will directly support and enhance the opportunities of successful implementation of that plan. In order to assist with this, a general guideline would be for reviewers to focus roughly 40 percent of the observations and comments on past work and 60 percent of the observations and comments on what needs to be done moving forward. The development plan or actions that the CAO needs to take to become successful need to be within his/her control, and should ideally focus on both the "what" and the "how" when these objectives are achieved. As in all performance appraisals, the feedback and monitoring of

success is often perceived as more relevant when there are timely discussions, at least once per quarter, with at least one session set aside for determining the objectives for the new performance/fiscal cycle and one session set aside for a formal wrap up of the annual objectives.

At a minimum, performance should be reviewed annually. This is further supported by Section 205 of the MGA, which outlines the requirements of a CAO performance appraisal as follows:

Part 6, Section 205(1) – Performance Evaluation

(1) A council must provide the chief administrative officer with an annual written performance evaluation of the results the chief administrative officer has achieved with respect to fulfilling the chief administrative officer's responsibilities under section 207.

The template, designed by George B. Cuff & Associates, for the CAO performance appraisal provided to us by the current CAO, appeared to contain the principles of good performance appraisals. The review of the CAO's performance, using this template, was to include the following:

- Assistance to Council in understanding its governance role;
- Relationship building with the Mayor;
- Policy advice and leadership on the key issues;
- Fiscal management;
- Leadership of the administrative team;
- Team selection, assessment, training, mentoring;
- Development of community relationships;
- Accomplishment of goals; and
- Areas for improvement.

The ratings covered a four-point scale – outstanding, above standard, standard, and below standard. The rater is to rate each of the performance factors based on the rater's perception of the CAO over the past year, with specific comments or examples, where possible. Further, the template offered opportunities to develop the annual key objectives and key results. These were to be designed by the CAO and reviewed by the Mayor and Council.

We acknowledge that while it is difficult to have the ideal quarterly reviews of the CAO, it is advisable that the Town's Council attempt to do at least one six-month review with the CAO. This would allow the comments to be more recent and relevant; a one-year retrospective of the performance of a senior administrator can often lead to very general comments and/or a "horns or hallo" effect where the most recent strong or weaker performance can overshadow the longer term technical and behavioural deliverables accomplished or not accomplished by the CAO.

We reviewed performance appraisals for 2011 and 2012, as was provided to us by the CAO. The appraisals occur during the third week of March every year. It was noted that about two years ago, there was a form of a 360 degree evaluation conducted on the CAO (we did not review these results). The notable concern here appeared to be that it was not conducted in the expected fashion – the CAO was absent and unaware, and the communication to staff was virtually non-existent, which led to concerns by the staff and the CAO. We recommend that, in the future, if a 360 degree review is conducted (on the CAO or any staff), that it follows the normal standards expected. At a high-level, these include: the feedback is anonymous, the feedback is used for planning and development purposes (not compensation purposes), key communication messages are used to the individual being reviewed and those who are reviewing the individual, the multi-rater/multi-source inputs cover an individual's subordinates, peers, supervisor(s) (where applicable), self-evaluation, and, where appropriate, feedback from external sources (vested stakeholders). Overall, it appears that Council has been satisfied with the performance of the current CAO.

We would further recommend that Council consider the following in its future evaluations:

- There should be a direct link to the Town's strategic plan and the necessary annual objectives for successful accomplishment of that plan;
- There should be a clear link between the job description, the evaluation format categories, and the strategic plan;
- The comments should be unambiguous and linked to specific or measurable outcomes; and
- There should be a well-defined plan for future actions to be taken including when follow up will be required.

Pecuniary Interest and Conflict of Interest

One of the issues identified during our review by interview participants is a conflict of interest between Mayor Cooper and Councillor Sitter. Outside of Council, Councillor Sitter is an employee of Mayor Cooper's and interview participants indicated that there is a perception that there is a conflict of interest. There are no restrictions in the MGA that would preclude an employer and employee from sitting on council. Further investigation did not identify any evidence that Mayor Cooper is influencing Councillor Sitter.

Procurement Process

A review of the Town's procurement processes did not identify any significant issues with the process. The Town applies the procurement process and tenders out work appropriately. An issue raised during the review was that the Town has sole sourced road work and curb installation to two companies. Further investigation indicates that there may be confusion

between the work that the Town conducts and the work required of developers as new subdivisions are created. Developers are responsible for road work and curb installation in the new subdivisions being created and are not held to the Town's procurement processes.

Orientation

Orientation is a critical process for returning and new Councillors who are stepping into the new and unique role of elected official. Some common council orientation topics include:

- Governance – Roles and responsibilities, Council's code of conduct, principles of effective governance, policy based governance, the role of committees and their function and policy based decision making.
- Planning documents – Budgets, capital plans, strategic plans, municipal development plan, area structure plans and documentation related to significant projects that are underway within the municipality.
- Policies – Key policy documents include the land use bylaw, procedural bylaw, council code of conduct (if it exists), financial control policies, council remuneration policy and any other policies that administration identifies to be critical.
- Administrative Processes – Key processes for a new council include logistics such as accessing email, buildings, etc., how to fill out forms, and any other processes related to conducting Council sessions and participating in committees.
- Engaging with the Public – Answering questions and requests for information, role of council at public forums, and media training

Council members indicated that their orientation met their needs and were provided governance training by George Cuff.

We recommend that:

4. Each department develops an operational plan that clearly identifies the activities that are linked to the strategic plan, those activities that are day-to-day operations and include the budgetary impacts of each of the activities.
5. Directions provided by Councillors to the CAO during Council meetings be provided through a motion of Council. This removes any ambiguity for the CAO as to whether he is expected to fulfill the directions provided by Council and provides Council with a feedback mechanism to track whether the CAO is completing the activities to fulfill the direction.
6. A review of the storage of their meeting minutes be conducted to address the issue with the outdated file folders.

7. The recording of notes and comments within the meeting minutes be discontinued. Particularly, the purpose of the round table section of the meeting minutes be reviewed and discussed to ensure that notes and comments are not contained within the meeting minutes.
8. A system be developed where motions within meetings are given a unique identifier that allows the motion to be tracked and incorporated into the current report provided to Council on administration's progress in completing motions of Council.
9. The storage of bylaws be reviewed in order to: remove any repealed bylaws from the binders; review and update bylaw indexes, and determine a consistent approach as to whether the Town seal will be used on bylaws moving forward.
10. Review bylaws 689/12 and bylaws 681/12 to correct the typographical errors.
11. The CAO performance reviews are conducted at a six-month interim point, as well as annually, with the key performance measures and objectives clearly laid out.
12. Where performance concerns are raised, develop a specific action plan with deliverable dates agreed to for follow up review. This applies in a general sense, as well as in the cases of performance concerns that have been identified to date and not currently resolved to Council's satisfaction.
13. We recommend that the CAO and Council discuss appropriate mechanisms for more effective and efficient delegation as appropriate.
14. Develop a five to 10 year capital replacement strategy.
15. We recommend that, in the future, if a 360 degree review is conducted (on the CAO or any staff), that it follows the normal standards expected and outlined in this report.

Administration

The administration section covers all of the operations of the municipality. The Town of Penhold has a community services department, public works department, and multiplex department which cover the majority of the services provided by the municipality. Additional areas identified in the organizational chart are the financial department, planning and development department, volunteer fire department and municipal enforcement department.

Departments

Multiplex Department

The staffing within the multiplex department consists of the following:

- A full-time manager (40 hours per week),
- Six full-time employees – multiplex attendant (2 with 30 hours per week, 1 with 35 hours per week, and 3 with 40 hours per week),
- One full-time bookings clerk (30 hours per week),
- 1 full-time fitness supervisor (35 hours per week), and
- 6 fitness center casual employees (2 at 29 hours per week, 4 at less than 20 hours per week).

The total number of full-time equivalent staff (FTE) is 11.8 based on a 37.5 hour work week (we have assumed that the fitness center casual employees work 19 hours per week and employees who work 40 hours per week are shift work employees and counted as 1 FTE). *Note: the Town defines a FTE as 30 hours per week rather than the more typical 37.5 hours per week.*

The multiplex includes an arena with a running track, a gymnasium, a dance studio, a meeting room, a fitness center, a library and is the location of the Town office. Additionally, there is a lounge and concession located in the multiplex.

Community Services Department

The staffing within the community services department consists of the following:

- A full-time manager (37.5 hours per week),
- A full-time administrative support where approximately 70 percent of the position is funded by the Town (approximately 26.25 hours per week),
- A FCSS district community worker where 10 percent of the position is funded by the Town (approximately 3.75 hours per week),
- A community events coordinator (20 hours per week) who is fully funded by the Town,
- A PYC youth director who works 25 hours per week where 10 percent of the position is funded by the Town (approximately 2.5 hours per week), and
- A neighbourhood place coordinator who works 30 hours per week where 20 percent of the position is funded by the Town (approximately 6 hours per week).

In total the Town is responsible for funding a total of 96 hours per week in the community services department. The total number of full-time equivalent staff is 2.56 FTEs based on a 37.5

hour work week. *Note: the Town defines a FTE as 30 hours per week rather than the more typical 37.5 hours per week.*

One of the issues raised by residents is that the community services department has too many people within the department. Our analysis indicates that while the department has six people working within community services the total financial impact on the Town is the equivalent of approximately 2.56 FTEs. This issue is further addressed later in the report in the discussion on staffing levels.

Community services provides residents with a wide range of services, programs and events that focus on supporting children, youth and families within the community. The department supports these groups by providing information, referral and programming to increase the quality of life of residents.

Public Works Department

The staffing within the public works department consists of the following:

- A full-time manager (37.5 hours per week),
- An utilities clerk (30 hours per week),
- A supervisor (40 hours per week), and
- Four public works operators (40 hours per week).

The supervisor and public works operators work shifts based on 40 hours per week. On call is rotated through the supervisor and operators on a five week rotation where a person is on call from Friday afternoon to Friday afternoon the next week. The Public Works Manager is available to staff via cell phone when needed. The Utilities Clerk is mainly focused on the billing process for utilities and also provides support to the Public Works Manager.

The total number of full-time equivalent staff is 6.8 FTEs based on a 37.5 hour work week for the manager and Utilities Clerk and 40 hours per week for shift work. *Note: the Town defines a FTE as 30 hours per week rather than the more typical 37.5 hours per week.*

Public works is responsible for the maintenance of the hard infrastructure within the Town (buildings excluding the multiplex, roads, water lines, etc.) as well as open spaces such as parks and recreation areas.

Planning and Development Department

Planning and development has one full-time equivalent staff person who works a 37.5 hour per week work week – the Development Officer. Support for planning and development is provided

by the Legislative Clerk when she has time available. The Development Officer is responsible for development permits, building permits, business licenses, compliance certificates, amending and developing appropriate bylaws and plans (includes land use bylaw, municipal development plan) and other permits related to gas, plumbing and electrical permits. Additionally, the development officer is heavily involved with municipal planning and economic development within the Town.

One of the issues identified is the impact of the amount of development that has occurred in the Town in the last few years. The Town has increased in size greatly in the last few years and this translates into a significant number of development permits. This has contributed to a significant amount of overtime for the development officer.

Finance Department

The staffing within finance consists of the following:

- A Chief Financial Officer (37.5 hours per week),
- A Financial Assistant (37.5 hours per week), and
- Office Manager/Human Resource Manager where approximately 83 percent of her time is spent in finance (31.13 hours per week).

The total number of full-time equivalent staff is 2.83 FTEs based on a 37.5 hour work week for the Chief Financial Officer, financial assistant and office manager/human resource manager. *Note: the Town defines a FTE as 30 hours per week rather than the more typical 37.5 hours per week.*

Finance is responsible for all of the financial and accounting policies and processes within the organization. Some of the main financial responsibilities include accounts receivable, accounts payable, budgeting, developing reports, expenses, Town's insurance and taxes and the processes related to calculating taxes.

Municipal Enforcement Department

The staffing within the municipal enforcement department is currently 1 FTE working 37.5 hours per week. The Town is currently in the process of advertising and hiring an additional Certified Peace Officer (CPO) officer.

CPOs are peace officers and in their role in the municipality they are responsible for enforcing traffic and bylaws within the Town of Penhold. Additional duties include liaising with other law enforcement agencies in the area including Sheriffs, RCMP and other peace officers in

municipalities as well as liaising and providing programming to schools and youth in the community.

Volunteer Fire Department

The department has 32 volunteer fire fighters, along with a Fire Chief who works 20 hours per week. The fire station includes office space, space for equipment and allows for training of volunteer firefighters. The department has adequate space and equipment. In the past few years due to the fiscal restraints in the Town the budget for replacing the fire equipment has been removed. There is an issue with fire coverage during the day as few of the volunteer firefighters are available for calls during the day as most of the volunteers work during the day and often work in other locations outside of Town such as Red Deer.

A suggestion provided by interview participants is that the Town should investigate the possibility of regionalizing the fire service with the surrounding municipalities. Regionalization may provide 24/7 coverage in the Town and may create greater efficiencies in responding to emergency calls – particularly on Highway 2 where emergency service vehicles cannot cross the median and must travel to an overpass, intersection or emergency access point to change direction on the highway.

Observations

Overall each of the departments is working well within their areas and most of the interview participants indicated that they were happy with their position and the people that they are working with in their department.

Communication

There were a few communication gaps within the organization that were identified during the review. The gaps included:

- Communication from Council to Front Line Staff – One of the gaps identified was in communicating Council decisions to front line staff. Some participants indicated that they are not always updated when a Council decision impacts their work. Often Council decisions do not have a significant impact on the operational work done by front line staff, but it is a leading practice to ensure that all staff are aware of decisions that could potentially affect them. In most cases, staff was informed of decisions that impact their work. Additionally, few front line staff indicated that they had reviewed the Town's strategic plan or how it linked to their work.
- Communication between Departments – During the review a communication gap between departments was identified. The separation of public works from the

administration building contributes to the communication gap as it is more difficult for people working in the office to be informed of what is happening with public works. A few examples were provided that highlighted a gap in communication between public works and the office. This type of gap is not uncommon in municipal organizations and as the work done by public works staff is different than the type of work done by staff in the Town office. The Town has tried to address this issue by including the Utilities Clerk in the office to act as a liaison with public works.

It should be noted that while there were communication gaps identified between departments the relationships between the departments were excellent with most of staff indicating that other departments provide support when needed.

Orientation

Orientation for new staff was identified as an area where improvement could occur. Participants indicated that orientation is somewhat overwhelming due to the amount of information received in the first week and that additional support such as a mentor or person to guide them in their role in the first few weeks of their position would help to reduce the steep learning curve that new employees encounter. Participants indicated that they were able to overcome the barriers but felt like it was a “sink or swim” approach to new employees. The number of employees that work offsite or in different locations within the Town contributes to this issue.

Multiplex Customer Service

An issue identified during the review was related to customer service in the multiplex. Currently, there is no one available to answer questions for users of the multiplex when they enter the facility and there are no signs that provide users with direction as to where to go if they have questions. Solutions identified include building a kiosk that can be manned during peak user times or provide signage directing users to the Town office during business hours if they have any questions.

Cost Recovery for use of Multiplex

The tax dollars required for operating the multiplex were an issue identified during the inspection. In most cases, public facilities such as the multiplex run at a loss as the intention is to provide services to residents rather than generate profit. One of the solutions identified for dealing with the operational costs of the multiplex is to ensure that the services are cost recovery – increase the fees to the point that the users are paying for the operational costs of the facility (staffing, maintenance, etc.). Cost recovery is based on a “user pay” system where those people who use the facility pay for their portion of use. With the high level of non-resident use the Town may be able to move to this model for the facility. A barrier to increasing all fees to the cost recovery level is that the Town is competing with the fees charged in other

recreational facilities in Red Deer, Innisfail and surrounding municipalities. There may be an opportunity to reduce the tax impact of the multiplex if the Town can move to more of a cost recovery model.

Coverage when CAO not Present

Several interview participants indicated that there have been incidents when the CAO is not present and there is an acting CAO from within the current management ranks, some Councillors have crossed over their governance role and tried to direct administration in doing their job. Additionally, some participants indicated that it is not clear as to who they go to when they need answers when the CAO is not present in the office. In some cases the CAO has been contacted on his holidays to deal with an emergent issue.

Funding Replacement of Equipment

The Public Works Manager, volunteer Fire Chief and Multiplex Manager have developed replacement plans that include annual funding so that when a piece of equipment reaches the end of its useful life there will be funds available to replace the equipment. The Town has been able to set aside some money for equipment replacement but has not been able to fully fund the annual replacement amount due to the current financial pressure. This could be an issue in the future as the Town may find itself in a situation where a significant amount of money is needed to replace a piece of equipment. Once the financial position of the Town improves, the Town should ensure that it is fully funding equipment replacement as identified in the plan.

Email Addresses

During the review it was identified that some staff are using their personal email account as their work email address. This is a significant issue as confidential information is leaving the control of the Town if someone is using their email. Additionally, there could be issues with recovering documents if the Town receives a FOIPP request which includes the emails sent or received by an employee on their personal email.

We recommend that:

16. The CAO determine how additional support could be provided to the Planning and Development officer during peak workload times, particularly when new developments are occurring within the Town.
17. The CAO conduct a cost/benefit analysis for the Town of moving to a regionalized fire department model for providing fire protection. This analysis should include resident input into the idea of moving to a regionalized system.

18. Communication within the organization be reviewed to improve communication between each department and to improve communication of Council decisions to the front line staff, particularly when a decision made by Council impacts front line staff.
19. The Town develops an approach to clearly communicate to visitors where to go if they have questions when entering the multiplex.
20. The CAO identify an acting CAO when he will be out of town for one day or more.
21. Discontinue the use of personal email addresses by staff.

Budget Process

The following section of the report outlines the results of the inspection as they related directly to the budgeting process that is currently used by the Town. Our analysis of the budget process included conducting interviews with Council, CAO, CFO, managers and staff. Additional follow up on the budget process was conducted as well. The budget process for the Town begins in September with the target for completion in April of the next year. The current process works as follows:

- In September managers are asked to compile a list of their budget requests into the budget document and provide the document to the CAO and CFO. There are no restrictions placed on managers as to what they can request and therefore the budget is more of a wish list than a prioritized list. Individual managers indicated that they do some prioritization when they present their budget to Council.
- The budget is reviewed and gaps in information are filled in based on the information provided. An overall budget document is developed with all of the managers' requests in a single document.
- Each manager presents their budget to Council explaining their requests, costs, impacts on the Town and answer questions. The budget meeting is the opportunity for the managers to ensure that Council has all of the information that they need to make budget decisions about their area.
- Council then holds sessions to go through the budget to reduce the budget to a level that Council feels is appropriate. The changes are recorded during the meeting and incorporated into the budget document. These sessions continue until the budget is at a level acceptable to Council.

- Recently, Council has held public budget meetings providing residents with the opportunity to provide feedback on the budget to Council. The most recent budget meeting drew few residents.
- Once Council is satisfied with the budget, the document is presented at a Council meeting and a motion to adopt the budget is made. If the motion passes the budget is adopted at this time, otherwise the budget is reviewed by Council to modify the budget so that it will be accepted.
- The budget is then provided to the managers to use going forward. Finance creates any additional general ledger accounts required so that managers can track their expenses and revenues.

Observations

One of the issues in the budget process identified during the inspection is the level of detail that Council functions at during the process. While Council is not going through the budget line by line they are making decisions in some cases that are more operational than strategic during the budget process. It is important for Council to function at the strategic level during the budget process. One of the ways that Council could provide greater strategic direction is to provide administration with a target range (either a percentage or a dollar range) for the budget either initially or after the first walk through the budget. For example, this year the Town is working toward a no increase in budget. Providing this direction to administration at the beginning of the process provides managers with a target for their budget and allows them, as the operational experts, to prioritize their budget accordingly. This type of approach provides some advantages including:

- Administration is provided with a target range for their budgets that can be further reduced department by department.
- The Town is taking advantage of their operational expertise by allowing managers and senior management the opportunity to prioritize their budget before the budget reaches Council.
- The process may be more efficient as there should not be a need for as many Council meetings in developing the budget.
- Presentations by managers to Council on the budget are focused on management priorities from an operational perspective.

We recognize that there will be projects and services that will be a priority for Council and will require further discussion during the budget process. Setting targets for administration allows Council to provide strategic direction to administration and allows the operational experts to prioritize their budgets based on the direction provided.

We recommend that:

22. As part of the budget process, Council should provide administration percentages or dollar amounts as benchmarks in order to provide some direction in developing the budget.

Human Resource Practices

The following sections outline the findings that relate to administration's Human Resources practices.

Management Capability and Proficiency

During the inspection, we noted a general perception by employees that their managers, including the CAO, lacked the strengths that were required to be effective people managers. Generally, the managers could benefit from additional training, support, or coaching in the following areas: effective communication skills/strategies, workplace respect, delegation, managing and documenting performance, applying progressive discipline, coaching and mentoring, and human resources management. It was further noted that in some areas, like the multiplex, due to the nature of how the staff schedule is designed, there are often not enough staff on during the day for the manager to be away without incurring banked time on the part of his staff (this practice of banked time is currently not encouraged within the Town).

We received comments from a broad cross-section of the organization that indicated that the CAO, while generally well-respected and well received, was spread too thin with the current organizational structure and the heavy work requirements of the larger organization. Managers and employees felt that there needed to be an alternate management contact when the CAO was called out of the office as a result of his responsibilities as the senior administrator for the Town of Penhold. Further, it was noted that in some cases, the management team felt that they could benefit from more specific goals and objectives and more specific and timely performance feedback to be stronger managers within their own roles and teams.

Full-Time Equivalent Staff Practices

The Town of Penhold has an unconventional practice for the definition of a permanent full-time employee. The practice aligns with the Local Authorities Pension Plan (LAPP) for those employees of eligible employers who qualify for pension eligibility. This means that for the Town of Penhold, a full-time position works 30 hours or more per week. We find that this

practice is out of alignment with the majority of municipalities on budgeted full-time equivalencies (FTEs); the most common definition is between 35 hours and 40 hours per week. This practice affects the perception of the number of staff the Town actually employs, with a distortion between the number of bodies (head count) and the number of budgeted FTE, normalized for a typical 37.5 hour work week. The misconception was raised by residents as well as staff employed by the Town. We will further address this practice in the sections on Organizational Design and Benchmarking.

As a comment, it is typically advisable to have the managers on a standard full-time equivalent work week. In the case of the Town of Penhold, we observed variation, including three positions at 40 hours per week, with four positions at 37.5 hours, and the remaining three positions at between 20 hours and 30 hours per week, according to the hours provided to us by the Town.

Organizational Design

As a general comment, the current organizational design would benefit from a few considered changes. As previously mentioned, the current structure is hampered by the flatness of its design. Specifically, the CAO currently has a headcount of nine direct reports and 38 total reports (approximately 27 full-time, 11 part-time/casual using Penhold's full-time definition). This equates to a total normalized FTE count of roughly 32.4 when considering the reported hours over a regular full-time work week of 37.5 hours (33.34 FTE if over a 35 hour work week). The direct reports are listed as 1.0 FTE on the current organizational chart; however, this is typically based on the 30 hour full-time definition. We found that there were three positions that were reported at 0.64, 0.53, 0.80 FTE (normalized); respectively, these are the Human Resources/Office Manager, Fire Chief, and Legislative Assistant.

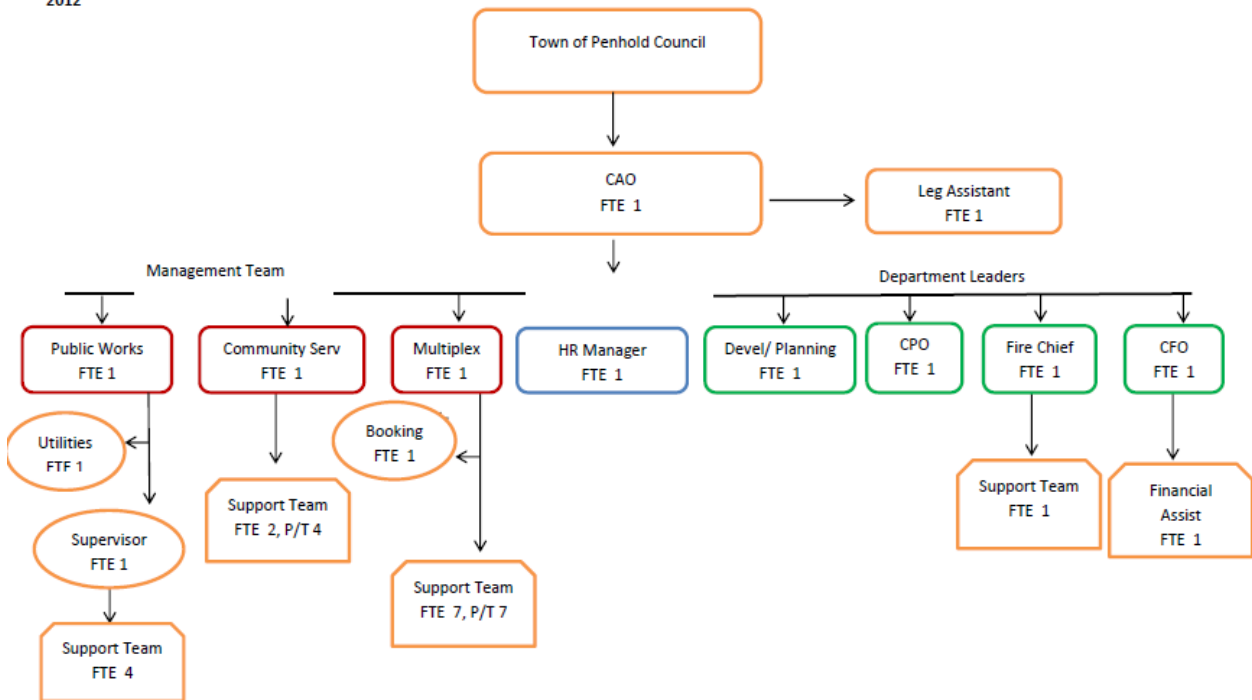
While it is understood that most organizational charts are often slightly out of step with the actual organizational structure for an organization, we have noted the following organizational design disconnects.

- Management team and the overall layout of the organization – Typically, while the management team does not have to be all managers, it is often expected that the majority of the organization reports to this management team, which ultimately reports to the senior leader (CAO in this case). This is not the case in the current organizational structure, as can be seen by the organizational chart provided to us for this inspection. Further, the HR Manager, whom we were told by the CAO was on the management team, is not shown in this organizational chart, and there also appeared to be confusion on the part of the individual in the role as to the status of the position on the management team. This confusion also applied to the CFO; the interviews indicated a variance in responses on whether this role is or is not part of the management team.

The current incumbent in the CFO role has indicated that she is not on the management team due to the change from a prior role of Assistant CAO to the new role of CFO approximately two years ago. We understand that the management team consists of the Managers of Public Works, Community Services, Multiplex, and Human Resources.

- Reporting relationships – There appears to be lack of clarity on who reports to the HR/Office Manager, the CFO, and the Multiplex Manager, either directly or for the performance appraisal. Specifically, this applies to the administrative staff that falls in the areas of front desk, customer service, facility booking, and finance. We note that this causes confusion for the staff and the managers involved. This does need to be resolved going forward.

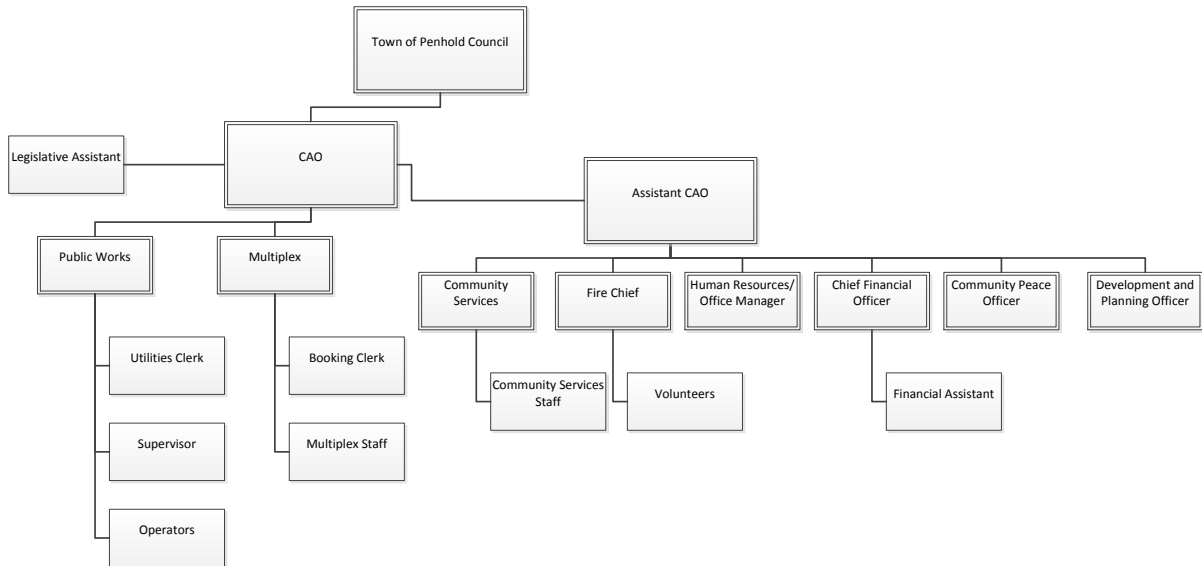
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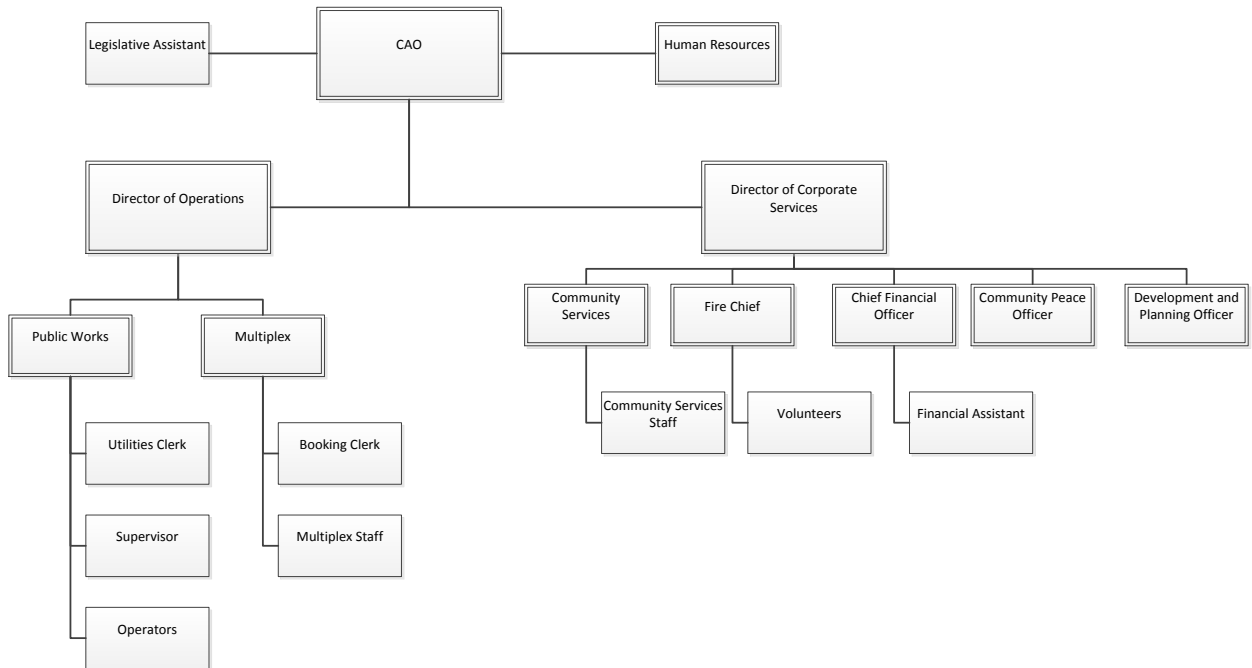
The options that the Town of Penhold could consider as strong organizational designs include the following:

- Option 1 – Assistant CAO reporting to the CAO, with all staff other than the public works, and multiplex departments aligned under that individual. This addresses the concern of having a potential successor within the organization and an alternate management contact during the regular work related absences of the CAO. The staff and department

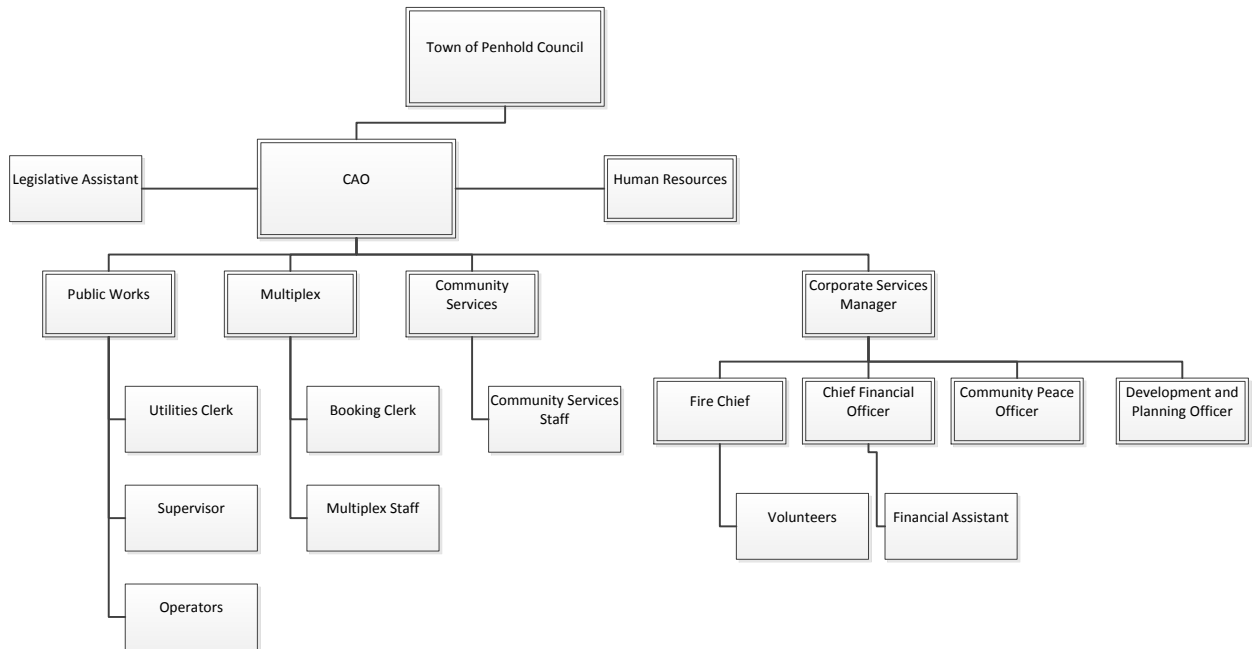
alignment would not necessarily need to be materially different than currently in use. Clarity on the management team would be advisable.



- Option 2 – Director of Corporate Services and Director of Operations, both reporting to the CAO. The staff alignment for the Corporate Services side would include Development/Planning, Peace Officer, Fire Chief, Finance, and Payroll. The Human Resources function can remain outside of this, reporting directly to the CAO, or the Director of Corporate Services can become the chief HR position and the Human Resources position would be a direct report to the Director of Corporate Services. The position would be focused more on implementing human resources policy and ensuring others within the organization are following policy with the strategic role sitting with the Director of Corporate Services. The staff alignment for Operations would include Public Works, Community Services, and Multiplex. The Legislative Assistant would remain reporting to the CAO. The management team would include the CAO, Director of Corporate Services, Director of Operations, and Human Resources, if it was a stand-alone position.



- Option 3 – Current structure with the addition of a Corporate Services Manager. The staff alignment remains similar to the existing organizational structure, with the noted placement of the Corporate Services Manager above the Development/Planning, Peace Officer, Fire Chief, and Finance departments. The management team would include the Managers of Public Works, Community Services, Multiplex, Corporate Services, and Human Resources. Much like option 2, the Human Resources function could remain outside of the Corporate Services function or be integrated within it, assuming the Director became the chief Human Resources position.



Human Resources Function

We identified a gap in the Town of Penhold’s organizational design, specifically as it relates to the Human Resources function. As it stands now, the Town has combined the Human Resources function with an Office Manager and Accounts Payable/Receivables role. The combined roles are titled “Human Resources Manager”. As we understand it, this role, at the current incumbent’s request, works a budgeted 24 hours per week (0.64 FTE normalized).

Some of the challenges we are seeing with this particular configuration of duties include the following:

- The Accounts Payable/Receivables front-end work (processing and following up on departmental expenses) is seen to be the current focus of this position, with an estimate of approximately 83 percent of the time being consumed by duties in this area.

- Directionally, the CAO would like to remove the AP/AR duties and establish these in another existing role. However, with the current FTEs and duties arranged within the likely candidate positions, this is proving to be more challenging than anticipated¹.
- The remaining Human Resources functions consume approximately 17 percent, or roughly 20 hours per month.
- The management staff would benefit from additional support, coaching, and guidance in the human resources areas – performance management, discipline, respectful workplace issues, recruitment – but are unfortunately not able to get this additional support due to the reduced focus on human resources within this role.
- The current incumbent has identified training courses to ensure that she is keeping current with her training. There are professional networks within the municipal human resources community that she is currently accessing, and we have identified an opportunity to leverage this professional network even further.
- As the current incumbent is new to this role, she will require a strong developmental plan and continued support from the CAO as the leader of the Human Resources Manager. We have identified a need for improvement in this area.

We further recommend that the CAO develop a strong and clearly defined human resources function and position accountable for the direction and execution of human resources policy development, human resources program development and implementation (performance management, staffing, compensation, reward practices, succession planning, training and development, etc.). Doing so will enable the Town to become more deliberate and practiced in its approaches to human resources. This benefits the employees in their understanding of the elements that the Town can offer regarding their careers and compensation, the managers in terms of their ability to manage their staff and deliver on the business objectives outlined by the CAO, and the CAO in being an effective leader and delivering on the strategic direction determined by the Town of Penhold Council.

¹ We have noticed that the job design for a number of roles may not be aligned with the objectives of the organization. It would be in the best interest of the Town to consider overall strategy, services offered to deliver on that strategy, and alignment with existing budgeted roles. There may need to be developmental and training plans (and budgets) associated with any recommended changes.

Salary Grid and Compensation

We understand that the current salary grid has been in place, without significant review, since prior to the multiplex becoming operational; since that time, the Town has roughly doubled in staff count. The original grid was established through an independent consultant. The CAO, HR Manager, and others acknowledge that it likely needs to be reviewed (an independent review would require additional budgeted funds).

A cost of living increase, according to the Salary and Performance Management policy in the Employee Handbook, will be applied to the salary grid “according to the most current Alberta Consumer Price Index (CPI) information as at November of each year”, with any increase greater than three percent or higher to be implemented on formal motion of Council. However, what has happened at some point in the course of the last few years was an increase applied to each step, rather than to the first step. This has resulted in unequal increases between each step.

Consequently, when an employee’s performance rating is determined, and a salary adjustment is approved by the CAO, it is typically out of alignment to the differences between the steps. Assuming that employees are intended to receive a full step and are not allowed to remain in between steps, the procedure should be re-evaluated. In a salaried or managerial type environment, it is often considered standard to provide increases based on performance – anywhere from zero for a non-performing individual to potentially above budget for an outstanding or superior performer (linked with superior results).

The Town’s CAO has indicated that salary increases are to be performance based. This is also supported by the Salary and Performance Management policy in the Employee Handbook. However, we further heard that an increase is based on the job level, attendance, and training completed. These are not necessarily what are intended when performance based pay is considered. Typically, performance would be tied to successful technical and behavioural completion of defined strategic and operational business objectives.

Further complicating this, we heard overwhelming concerns raised by staff that the current compensation is not competitive with similar positions in the surrounding market. Although salary is not necessarily a motivator, it has been proven to be a de-motivator. We heard that the general satisfaction of the majority of employees was reasonably high, between 70 and 80 percent. When asked what could move the perception of satisfaction higher, the response themes were around increasing the compensation, increasing the consistency of management decisions, and increasing the transparency of communications with staff.

We understand that new hires are often started just below the stated first step of the salary grid; this starting point appears to be somewhat discretionary. From there, if the employee receives

a satisfactory performance review, he/she will typically receive an increase to the first step (first year). From there, increases are dependent on performance and discretion of the CAO. Typically, one step increases are granted; however, as mentioned earlier, this increase may be in between the existing steps of the current salary grid.

Based on this inspection, we see that there is merit in the Town not only reviewing the salary grids, but also the overall compensation philosophy and approach, including what is intended when providing a salary increase (i.e., whether it is linked to performance or not).

Employee Records and Files

As a matter of sound administrative procedure, municipalities need a complete file for each staff member. It is recommended that the files contain the following:

- Offers of employment, letters of transfer, letters of promotion, letters of demotion;
- Changes in job levels, departments, and salary;
- Other written agreements with an employee, such as, but not limited to: confidentiality agreements, non-compete agreements, vehicle allowances, etc.;
- Dates and paperwork related to leaves;
- Government paperwork – T4, ROE, payroll, salary, and tax information applicable to the employee;
- Emergency contact information (if not kept electronically);
- Recent job description;
- Completed performance evaluations (annual);
- Formal and documented progressive discipline documentation related to performance;
- Awards, training plans, and certificates/education received; and
- Termination paperwork.

The Town indicated during the review that up to five files for each employee were retained for the following purposes: Human Resources, payroll, pension, benefits, and WCB. We conducted a sample review of employee human resources files and observed that the Town had adequately ensured the security and confidentiality of files. The notable exception is the Community Services employee human resources files being located away from the other central files. We understand this is a historical practice that will likely be addressed going forward. For those employee human resources files that are secured with the Human Resources Manager, the Town has appropriately separated both active and terminated employee files. For those files in the Community Services Manager's possession, these were for active employees only and the information contained in these was reasonably consistent and well maintained; however, we noted that there were duplications of payroll related information.

In the primary files in the Human Resources Manager's possession, we noted the following notable concerns, including the inconsistent filing of: letters of offer, confidentiality agreement, employee acknowledgement of human resources handbook policies, performance appraisals, resumes, job descriptions, consent for criminal records check form. Of the performance appraisals that were filed, these often did not reflect the most current year, which supports the statements made by employees that performance appraisals had not been regularly conducted. We further noted that some files did contain documentation related to the WCB process.

For the payroll, pension, benefits, and WCB files, these were located in a secure and confidential filing cabinet within the finance and payroll area. These files contained the expected information, including pension member registration and beneficiary forms, overtime agreements, direct deposit forms, salary increase communication, tax related information, letters of offer, timesheets, contact information, and AMSC enrollment forms, and confirmation statements. We noted the following inconsistent filing of information in these records: confirmation statements for AMSC, security and confidentiality/confidentiality agreements, and vacation accrual/time off requests.

We note that there are a number of working files for payroll advances, payroll adjustments, payroll deductions, and memos or letters of offer. These working files apply to all impacted employees. We strongly recommend that this information is moved into the applicable employee file by way of official Town of Penhold communication (memo or letter). For example, we recommend that there is an official memo from the CAO/Human Resources/payroll to an employee that is filed in an employee record for payroll adjustments, whether annual or mid-year. Doing this for all pay and job changes impacting an employee will ensure that the employee receives an official record and confirmation of any pay or job changes, along with an official record being placed in the employee record.

In at least some of the human resources files, the records contained the resume and interview notes for the employee (successful candidate of a competition). We would advise the Town to keep recruitment files separate from human resources and payroll files. It is important to both institute and retain the competition files as these files are a record of the recruitment process and could be used to defend a selection decision and/or for future recruiting efforts. In accordance with the records retention within the Freedom of Information and Protection of Privacy (FOIP) legislation (section 35(b)), a public body that uses an individual's personal information to make a decision that directly affects the individual must retain the personal information for at least one year. These records may be accessible by an applicant for review and possibly used within legal proceedings that could arise. The need for ethical recruitment practices and strict confidentiality to protect an individual applicant's privacy is essential.

In the case of competition files, it would be advised that the Town centrally and confidentially store the following in competition files:

- Competition data: opening and closing date of competition, competition number, name of hiring manager, hiring department, status of the position (temporary, permanent, full-time, part-time, casual), locations where the job was advertised or posted, and costs incurred in the recruitment process;
- Current job description and job advertisement or posting;
- Interview plan and any additional exercises, assignments, or tests conducted;
- Official interview notes compiled by a designated note taker (other notes should be shredded);
- Resumes and cover letters of those who applied (unsolicited resumes are not required to be retained, but should be shredded in a confidential manner);
- Applications, resumes and cover letters of those interviewed;
- Short-listed applicants list;
- Reference interview plan and feedback²;
- References provided by applicants;
- Completed rating guide and/or criteria used in making short-list and assessment after interviews completed;
- Confirmation letter to successful applicant(s);
- Notification letters to unsuccessful applicants; and
- Notes, e-mails, etc. relating to the competition (i.e., applicant withdrawals, interview schedules etc.).

In addition, it is advisable that the Town is provided advice on creating a records retention policy (for the employee and payroll records, as well as all records and information covered under FOIP) and that any records that are destroyed are done so in a secure and confidential manner. According to FOIP, if an applicant requests access to this information, all information that is of a personal nature that does not directly relate to the applicant under FOIP must be severed from the file prior to the applicant requesting access. It would be advisable for the Town to seek

² References may be exempt from FOIP applications if it was established that it was given and received in confidence (section 19) as long as it is made clear in the exchanges. The Town may wish to contact their Legal Counsel and/or the Office of the Information and Privacy Commissioner for advice or assistance on this.

additional FOIP advice, guidance, and support from legal counsel or professionals with experience in these areas³.

We have a final note on any inconsistent information that we noted in any of the employee records. The Town of Penhold has gone through a rapid organizational growth, primarily resulting from the development of the multiplex and centralization of its Town functions. As a result, we heard comments from the CAO, the Human Resources Manager, and the individual responsible for the payroll records, that in a number of ways, the employee records management has increased over the last few years. Historically, the records either did not exist or did not exist in a complete form. A lot of the inconsistencies that we requested clarification on pre-dated the growth of the Town. We encourage those responsible for the employee records management to be diligent in the definition of what belongs in files, how many files to maintain, where to maintain them, who will maintain them, and what the retention and destruction of information is required to be given the requirements of FOIP. We believe there is merit in centralizing the files – one file for employee human resources and payroll records – primarily to avoid duplication/gaps of information. Further, we strongly recommend that the Town centralizes the files into a central filing system – both secure and confidential – that are removed from any manager’s office, as this will hold secure the official records of employees and prevent any inadvertent records destruction or loss due to changes in management staff.

Performance Reviews

The CAO and the senior management are responsible and accountable for conducting performance reviews on all municipal employees. Properly conducted performance reviews serve several key organizational functions including:

- Setting measurable and achievable objectives – quarterly and annually – for an employee to achieve that directly supports the strategic direction – and operational plans – of the municipality;
- Monitoring and identifying the measurable ways in which the employee’s performance contributes to the organization’s goals;
- Monitoring and identifying the ways in which the employee’s performance needs to improve to meet the organization’s goals, including ways in which the CAO and/or management can support the employee’s efforts;

³ Additional information is available for the Town in the *FOIP Human Resources Guide for Local Public Bodies*, Revised January 2007 (updated to reflect A.R. 186/2008), found at <http://www.servicealberta.ca/foip/documents/HRGuide.pdf>.

- Allowing the CAO and/or management to review essential job functions with the employee, and update his/her job description accordingly; and
- Providing documentation of performance that supports salary increases, promotion, disciplinary actions, or termination.

During the interviews, there appeared to be a lack of consistent or timely performance reviews conducted by the CAO of senior management. Likewise, staff commented on inconsistent reviews conducted by their managers. A sample review of the employee files indicated that most employees did not have current or up-to-date performance appraisals. It was also noted by staff that there were inconsistent approaches to conducting the performance review, apparently left up to the discretion of the manager. Some employees suggested that they were asked to drive the review process by first completing the review form and then discussing it with their manager. Others suggested that the manager conducted the review without much input of the employee.

Performance reviews need to be conducted, at a minimum, annually and with a consistent format. Potential difficulties that arise if consistent and regular reviews are not conducted include the following:

- Performance problems are not identified and addressed in a consistent manner;
- Termination can be challenged if employee performance is not documented and the employee is not made aware of the corrective actions required;
- Employee recognition for a job well done is undocumented and possibly overlooked;
- Employees are not given opportunities to correct their behaviour; and
- Performance problems are misdiagnosed as behavioural when they are training related or vice versa.

The current form created by the Town uses competency ratings by means of a four-point scale – unacceptable, needs improvement, meets expectations, and exceeds expectations – followed by comments made by the supervisor and a section for goals to be completed over the next performance cycle (to be reviewed mid-year and at year-end). There are 21 competencies listed in this form, which has been acknowledged by the Human Resources Manager as being overdesigned so that the managers have the opportunity to assess the performance of the person in a position by tailoring the competencies to the objectives of the position. While the form is long, if understood by the users, this may not necessarily be a hindrance in the process.

We do notice that the comments and goals provided have a tendency to be general, with very little in the way of timelines or expectations. Most goals or objectives set by a manager and delivered by an employee, regardless of the timing in the performance cycle, should be governed by the S.M.A.R.T.(E.R.S.) principle – *Specific, Measurable, Attainable, Relevant, and*

Timely, with the opportunity to *Evaluate, Revisit* or *Reassess*, and be fit to the *Strategic* objectives of the organization. This is an area the Human Resources Manager, managers, and CAO will need to be aware of, monitor, and provide direction to assist the performance process in becoming stronger.

Job Descriptions

Through interviews with the CAO and the HR Manager, we understand that the job descriptions have been undergoing review. We understand that these individuals are currently working through this process, focusing on clarity of the roles and responsibilities for each position. There does appear to be some miscommunication between the CAO and HR Manager that needs to be worked through in order for this project to be completed. We were provided with drafts of 27 position descriptions; there were an additional two that we were not provided with as these were not completed at the time of the inspection.

We observed the following with the draft descriptions that we had been provided. The descriptions sufficiently cover the foundational information expected in a description: title, reporting, summary, qualifications, key responsibilities (duties). We would like to see a sense of priorities among the key responsibilities. This can be established through simple aggregated percentages of time where possible. Doing so informs the incumbent and the supervisor where the focus of the role is. It further allows the linkage between the strategic and operational plans to be clearly identified.

The descriptions have a section on core competencies. A review of the descriptions indicates that these are often linked to the same competency categories in the performance appraisal template; however, in some of the roles, these competencies can be more specific to the role and not as clearly linked to the more general competencies found in the performance appraisal process. A stronger management practices should have a consistent link between these two documents. There may be merit in reviewing the performance appraisal competencies and the job role competencies and see where more consistent links can be made.

Personnel Policy

The Town has an Employee Handbook, which contains expected human resources policies, and was developed in roughly 2010 and last updated in 2012. The specific areas listed in the handbook index include: Employee Relations, Dress Code, Driver's Abstract/Criminal Records Check, Internet and Phone Use, Salary and Performance Management, Discipline and Discharge, Non-Punitive Reporting, Personnel Records, Hours of Work and Rest Periods, Overtime, Public Works Call Out, Vacation, Statutory Holidays, Sick Leave, Bereavement Leave, Compassionate Care Leave, Maternity and Parental Leave, Leave of Absence, Benefits/Pension Plan, Employment Expenses, Membership in Professional Associations, Staff

Recognition, Employee Gifts, Staff Christmas Party, Discrimination, Harassment including Sexual Harassment, Dealing with a Complaint, and Alcohol and Drug Abuse. The handbook further includes definitions of employee categories.

As mentioned previously in this report, we noted that the definition of permanent full-time is an employee who has cleared their probationary period and is working 30 hours or more per week. This definition is linked to the Local Authorities Pension Plan (LAPP) definition as it relates to those eligible for pension. This is an unusual practice for most municipalities when it comes to internal or budgeted full-time equivalencies (FTEs). The most common definition would typically be 37.5 hours (if working 7.5 hours per day, 5 days per week) or 40 hours (if working 8 hours per day, 5 days per week). The definition of a casual employee appears to be missing. There were a handful of employees that categorized themselves as casual, but with no concrete definition in place, the Town has a gap to close in this area. It appeared that casual employees were not eligible for benefits.

While it is understandable that policies are intended to set the direction for an organization, leaving too many policies written in such a way to allow for “at the discretion of” a manager or supervisor leads to lack of clarity for the employee on expectations if there is no consistent interpretation of that policy. This appears to be the case in the area of *Hours of Work and Rest Periods*. Employees expressed concern that there appeared to be inconsistent practices as to when breaks were to be taken and that these can change from time-to-time.

During this inspection, a number of staff had noted that there was a request to review the sick leave policy. A further concern was that Council was considering removing the accrual of sick days; however, none of the staff really understood why. The Town’s sick leave policy indicates that permanent employees are provided with paid sick leave for personal or dependent illness or medical appointments. These accrue at a rate of 1.25 days per month, with a use it or lose it and non-monetary value policy. There are two main challenges with the sick leave accrual system: if an employee is sick prior to accruing the number of days to cover off a sick leave, the employee is without any salary for that period of time; and if an employee accrues sick time, there can be a sense of entitlement to those days, as the employee “earned” them. In either case, it leaves the employer in a situation where extra communication and monitoring is required.

The Town of Penhold Council had, along with other policies, requested a review of the sick leave policy. During this review, we heard that some of the concerns stemmed from a perception of a higher than normal absenteeism from staff, the fact that the policy had not been reviewed in a period of time, and whether there was any overlap with the current Short Term Disability policy offered by the benefits provider. The issue of sick days was also raised in a management letter from the Auditors for the 2011 fiscal year. In this case, there was no use it/lose it policy and the Auditors were concerned that there was a liability of sick time payable.

Subsequent to this, the Town had amended their policy to include the use it/lose it and non-monetary aspects to address the Auditors concerns. The resolve was to incorporate an attendance aspect to the existing sick leave policy, which addresses the accountabilities and actions of the employee and supervisor, and further provides an understanding of the consequences of abuse of sick days and attendance in general.

We note that the Town is in the process of reviewing all of its policies. We concur that it is important for a municipality to remain up to date in its human resource policies and procedures. Best practice is to review policies and procedures on a regular basis – often in two to five year cycles. This may need to be more often if there are noticeable gaps in the policies that exist.

Administration Policies

During this inspection, it came to our attention that several administrative policies had been drafted, at the request of the CAO and Council, but had not been passed. It was explained to us by the current CAO, that once a policy had been written and required review and approval, it would follow a cycle similar to the following, taking on average, a couple of months: management team introduction and review, management team comments provided to the HR Manager, management team review, policy committee review (committee of Council), and finally brought forward to Council for formal approval.

In discussion with the HR Manager, it appears that the following policies have been written, but are awaiting direction and further review by the CAO, management team, and ultimately, Council:

- Benefits Continuance while on Long Term Disability;
- Credit Card;
- Employee Initiated Exercise and Wellness Program;
- Fitness Center – First Aid;
- Half-Masting of National Flag;
- Hiring; and
- Contractor Waiver and Release of Liability.

Two additional policies – Conference and Meeting Travel, and Training – have recently gone to Council for approval. As of the writing of this report, there has not been an update on the status of these two policies.

While it is not necessarily uncommon to have draft policies stall in the review and approval process – this is often caused by a shift in priorities of administration – this is often alleviated by putting in place clear objectives, timelines, and communicating on the tracking of these to those involved in the decision making process. It is our understanding that the current HR Manager

has taken policy development training. There is merit in this particular situation to have stronger and clearer communication between those involved in the process, especially around changing priorities, with a clear action plan being agreed on to ensure that the slippage of time does not become an inertia drag. Further, there is a need to ensure stronger leadership to better ensure a more seamless and understood process between those involved.

We recommend that:

23. Clearly define which positions are included on the management team and which positions are not on the management team to reduce confusion within the organization.
24. The Town of Penhold change its definition of a full-time equivalent (FTE) position to be based on a full-time work week that better aligns with the competitive landscape. This would mean a minimum of a 35 hour work week (with a choice of a 37.5 hour or 40 hour work week) for administration/office staff and 40 hour work week for outside staff.
25. Define an administrative definition for casual staff that fits in with the operational needs of the Town. Include this definition in the Employee Handbook.
26. The Town defines clear reporting relationships with all positions. Specifically, if a manager is to review the performance of an employee, that employee should report to that manager during the performance period.
27. The Town implements one of the three organizational design options considered in this report and addresses any training and development implications associated with the option chosen.
28. The Town implement a clearly defined human resource function with staff resources fully dedicated to this function. This includes separating the role from the accounts payable/receivable duties and advancing the knowledge, skills, and experience of the individual through a training and development plan outlining specific courses and mentoring opportunities, both within and external to the municipality.
29. The Town, through the combined efforts of the CAO and the Human Resources Manager, develop a plan to advance the people management skills of its current managerial staff.
30. Review the compensation philosophy, policy, and practices for performance and Cost of Living Allowance (COLA) increases provided to staff.
31. Review the current salary grid for competitiveness to local and peer municipalities.

32. Ensure that there are consistent practices around where and why an employee is placed on the salary grid.
33. Clarify the process for performance reviews including the connection between an employee's performance and the expected salary increase recommended by an employee's manager and/or CAO.
34. Ensure that there is a seamless connection of process between the compensation budget approved by Council and the decisions made and communicated by the CAO, Human Resources Manager and finance/payroll. Further, that where discretion remains in the administration of pay by the CAO, that performance criteria are more clearly defined for employees such that they understand what actions or changes need to be taken to improve performance relative to pay increases.
35. Increase the consistency of management decisions, including ensuring that the decisions are communicated transparently to employees.
36. Determine a secure and central location to store both human resources (employee) files and payroll/benefit/pension/WCB files. Make a decision on whether there are separate or combined files. Ensure that the recommended and required information is stored in the files. Where there are multiple files, make a clear decision that can be followed by those responsible for maintaining the files on how to handle the possibility of duplicate information. Ensure that operational information is not stored in any of these files.
37. Develop a clear policy and procedure around records retention and destruction, including employee files and recruitment files.
38. Follow the recommended practices outlined in this report for the performance reviews for employees. Ensure that these reviews are conducted, at a minimum, annually, and at a better practice level of quarterly.
39. For job descriptions, follow the recommendations outlined in this report to ensure clarity and consistency of information.
40. Review the Town's policies and procedures on a regular basis, typically every two to five years.
41. Clarify the role of the CAO and the Human Resources manager in the review of and development of new administration policies. Determine a schedule of priorities for these policies and communicate to those involved the progress on this schedule.

Benchmark Comparisons to Peer Municipalities

The Town of Penhold's financials, staffing levels, and tax rates were compared to the publicly available information of 20 peer municipalities. The town comparators were chosen based on similar populations⁴ and revenues that were no more than 1.5 times that of the Town of Penhold. The comparator group included the following: Athabasca, Beaverlodge, Black Diamond, Calmar, Carstairs, Crossfield, Fox Creek, Gibbons, Grimshaw, Hanna, High Prairie, Magrath, Millet, Nanton, Provost, Redwater, Rimbey, Sexsmith, Sundre, and Turner Valley.

In comparing the Town of Penhold to these 20 peer municipalities, we were specifically interested in where the Town measured up relative to the comparator group (percent rank), as well as the calculated median (50th percentile) and average for the listed comparator group, excluding the Town of Penhold. The data is summarized in the table below.

We noted the following as a result of this benchmarking comparison:

- In 2011, the Town of Penhold's revenue decreased dramatically compared to the prior two years, from just over \$12 million in 2009 and 2010 to roughly \$7.8 million in 2011. The decrease in revenue was largely due to a decrease in transfers for capital from the Federal and Provincial Governments. The Town's revenue during this period of time, compared to the peer municipalities, sat at a rank of 65 percent in 2011, 95 percent in 2010, and 100 percent in 2009. This would indicate that the comparator group had, on average, much lower revenues in both 2010 and 2009, than did the Town of Penhold.
- The residential mill rate for the Town of Penhold remained constant in 2011 and 2010, increasing from 7.9 in 2009 to 8.73 in 2010 and 2011. The comparator group increased marginally over the period of 2009 to 2011 at median and average, placing the Town at a consistent rank of 85 percent of the peer group.
- The non-residential mill rate for the Town decreased from 14 in both 2009 and 2010, to 12 in 2011. The peer group generally increased its non-residential mill rate at average and median over the 2009 to 2011 timeframe. The Town's percent rank decreased slightly in 2011 to 55 percent from 60 percent in 2009 and 2010.
- The Town of Penhold's percent rank in the comparator group for expenses rose dramatically in 2011 to 65 percent, from a 30 percent rank in 2010 and 5 percent rank in

⁴ Between 2,000 and 3,000.

2009. In 2009, the expenses were at \$2.7 million with an increase to \$5.2 million by 2011. The comparator group, at average and median, had a general trend upwards of expenses over this same period.

- The Town's Net Financial Assets (Net Debt) position worsened from a positive position of \$1.6 million to a negative (debt) position of (\$1.7) million in 2010. It improved in 2011 to a net debt position of (\$1.0) million. In 2009, the comparator group had roughly 35 percent or seven (7) Towns reporting a net debt, which increased to 40 percent or eight (8) municipalities in 2010 and 2011.
- Long term debt for the Town decreased and has remained reasonably constant for the Town over 2011 and 2010. It took a dramatic jump in 2010 from a zero long term debt balance in 2009 due to the construction of the multiplex. The Town is roughly at the 50th percentile of the comparator group in 2011 and 2010.
- The Town's Council and Other Legislative related expenses have increased over the course of the 2009 to 2011 period. The comparator group has typically been decreasing its spending in the same period, on average and at the median.
- In reviewing those 2011 financial statements that were posted on the websites of the comparators, the reported Salaries and Benefits disclosure for Councillors and Mayor are reported below. When looking at the numbers in the table on page 63, the Town of Penhold's rank, from left to right, is approximately 56 percent, 89 percent, 67 percent, and 67 percent.

| Town | 2011 Salary | 2011 Benefits and Allowances | 2011 Total | 2010 Total |
|---------------|-------------|------------------------------|------------|------------|
| Penhold | \$70,210 | \$35,462 | \$105,672 | \$103,817 |
| Athabasca | - | - | - | - |
| Beaverlodge | \$45,840 | \$0 | \$45,840 | \$71,772 |
| Black Diamond | \$55,970 | \$2,310 | \$58,280 | \$82,701 |
| Calmar | - | - | - | - |
| Carstairs | \$71,120 | \$2,008 | \$73,128 | \$79,666 |
| Crossfield | - | - | - | - |
| Fox Creek | - | - | - | - |
| Gibbons | \$95,000 | \$0 | \$95,000 | \$96,072 |
| Grimshaw | \$30,910 | \$0 | \$39,004 | \$53,389 |
| Hanna | - | - | - | - |
| High Prairie | - | - | - | - |
| Magrath | - | - | - | - |
| Millet | - | - | - | - |
| Nanton | \$47,480 | \$27,139 | \$74,619 | \$55,335 |
| Provost | - | - | - | - |
| Redwater | \$81,959 | \$72,274 | \$165,233 | \$145,897 |
| Rimbey | \$130,053 | \$18,478 | \$148,531 | \$125,599 |
| Sexsmith | - | - | - | - |
| Sundre | \$11,624 | \$2,128 | \$113,752 | \$106,780 |
| Turner Valley | - | - | - | - |

| | 2011 | | | | 2010 | | | | 2009 | | | |
|--|-----------------|-----------------------------|----------------------------|-------------|-----------------|-----------------------------|----------------------------|-------------|-----------------|-----------------------------|----------------------------|-------------|
| | Town of Penhold | Percent Rank to Comparators | Median (50th Percentile) * | Average * | Town of Penhold | Percent Rank to Comparators | Median (50th Percentile) * | Average * | Town of Penhold | Percent Rank to Comparators | Median (50th Percentile) * | Average * |
| Population | 2,322 | 55% | 2,305 | 2,416 | 2,322 | 55% | 2,305 | 2,416 | 2,114 | 15% | 2,293 | 2,403 |
| Revenues | \$7,762,065 | 65% | \$6,571,331 | \$7,106,763 | \$12,097,145 | 95% | \$6,968,787 | \$7,547,326 | \$12,323,480 | 100% | \$6,025,386 | \$6,424,637 |
| Expenses | \$5,172,851 | 65% | \$4,826,673 | \$5,175,470 | \$4,140,506 | 30% | \$4,580,578 | \$4,913,742 | \$2,745,018 | 5% | \$4,871,796 | \$4,811,491 |
| Net Financial Assets (Net Debt) | -\$993,140 | 35% | \$1,064,835 | \$884,951 | -\$1,669,944 | 30% | \$1,196,657 | \$954,293 | \$1,596,926 | 55% | \$1,322,701 | \$1,412,614 |
| Long Term Debt | \$2,417,486 | 50% | \$2,290,170 | \$2,445,244 | \$2,500,000 | 50% | \$2,403,747 | \$2,644,486 | \$0 | 0% | \$2,358,206 | \$2,311,475 |
| Council and Other Legislative | \$201,104 | 85% | \$113,940 | \$121,535 | \$197,975 | 90% | \$106,843 | \$124,173 | \$138,976 | 60% | \$115,068 | \$131,953 |
| Salaries, Wages, and Benefits | \$1,985,674 | 80% | \$1,532,715 | \$1,591,543 | \$1,496,411 | 60% | \$1,433,763 | \$1,500,889 | \$1,116,969 | 20% | \$1,311,578 | \$1,436,742 |
| Residential Tax | 8.73 | 85% | 7.2541% | 7.3358% | 8.73 | 85% | 7.1816% | 7.2001% | 7.90 | 85% | 6.6787% | 7.0068% |
| Non-Residential Tax | 0.12 | 55% | 10.8747% | 11.7291% | 14.00 | 60% | 11.2635% | 11.5686% | 14.00 | 60% | 11.1630% | 11.3857% |

Source: Alberta Municipal Affairs, Municipal Financial & Statistical Data, http://www.municipalaffairs.alberta.ca/municipal_financial_statistical_data.cfm

* Excludes Town of Penhold data.

Looking at the comparable municipalities it appears that the mill rates set by Council vary widely depending on each individual municipality's history, current environment, vision, and goals. The two communities with a higher mill rate than Penhold also have made a significant investment in recreational facilities with the Town of Hanna recently completing the construction of a regional community services center that has a field house, two dance studios, a fitness room, pre-school room and a combined music/youth room. High Prairie's facilities include an agriplex/equestrian center, arena and curling rink and an aquatic center.

We recommend that:

42. Clarify the rationale for the increase in the Town's spending on Council, Legislative functions and related expenses in relation to the comparator group.
43. Clarify the rationale for the higher than average percent rank among the Town's comparator group in the Town's Salaries, Wages and Benefits.

Staffing Levels and Staff Turnover

Within any organization there will be a certain level of staff turnover. The reality of today's job market is that employees are more comfortable changing companies and moving to different communities than they have been in the past. Staff turnover can be an issue as it can impact staff morale, impact the relationship between management and employees and it is difficult to maintain organizational knowledge if the staff is being turned over quickly.

The Town of Penhold's hiring practices are seen as appropriate. As discussed in earlier sections on Human Resources and Performance Appraisals, the Town can continue to become more consistent in its approaches to orienting staff, setting performance objectives, and measuring performance against those objectives.

The Town provided us with the following staff turnover numbers for the years of 2009 to 2011 (these numbers are only for permanent employees and for those voluntary quits or involuntary dismissals initiated by the Town): four in 2010, eight in 2011, and nine in 2012. Using as a base, the Town provided permanent year-end staff in each year, the staff turnover rates for 2010, 2011, and 2012 are approximately 13 percent, 16 percent, and 16 percent, respectively. With the increase in staff turnover, this is something that the Town may wish to investigate further to determine the causes and whether there is anything that the Town needs to address within its practices (human resources, cultural, managerial, leadership, communication, compensation).

In looking at the staff level benchmarking with the 20 comparator municipalities, we have found the following:

- The number of full-time staff reported to Municipal Affairs by the comparator municipalities has stayed constant over the period of 2009 to 2011. On average, the number reported was 18 full-time staff, with the median being reported at 17 full-time staff. The reported full-time staff ranges from a low of 12 to a high of 27 over the three year period.
- The percentile ranking of the Town of Penhold over 2009 to 2011 has progressed from 35 percent in 2009, 30 percent in 2010, and 95 percent in 2011.

We reviewed a smaller cross-section of the comparable municipalities to see what the details of these reported full-time staff included. The sample included those with higher reported staff counts, similar revenues, and attempted to pull in those with multiplex-type facilities. We used as our base the 2011 data reported in the Municipal Affairs statistics; however, we noted that there were occasional variations in the numbers of full-time equivalents (FTE), provided to us by

the municipalities. This is not meant to be a replica of the Municipal Affairs statistics, but rather to provide a perspective on the broader organizational design.

On average, the populations for the sampled Towns were approximately 2,600 in 2011, which is slightly larger than the Town of Penhold at 2,322. There was a reasonable amount of variation in the numbers of FTE provided to us. On average, the number of permanent full-time equivalents (rounded) was approximately 17, with those in administration at approximately 8 FTEs, those in public works at roughly 8 FTEs, and those with parks and recreation at around 4 FTEs. For the small sample with a multiplex, the FTEs tended to be found in the parks and recreation departments and ranged from 4 to 10 FTE. In at least one instance, the multiplex was run jointly by the Town and by the County. Using the normalized FTE, the Town of Penhold has roughly 32.4 total FTE staff, approximately 12.6 FTE are in the multiplex, with roughly 13 FTE in administration (all those that exclude public works and multiplex) and 6.8 FTE in public works. The Town of Penhold is on the high side with its total FTEs, with the multiplex and administration comprising the bulk of the differences. It should be noted that the Town of Penhold has undergone significant growth in recent years. In many cases when there is significant growth the municipality needs to increase its staff to match the growth. It is important for senior management to constantly assess workload within the organization during periods of growth in order to ensure that the number of staff does not greatly exceed the workload within the organization.

We recommend that:

44. Determine, by way of an exit interview (conducted by the internal Human Resources function or an external consultant) the underlying reasons for employees exiting the Town. Once determined, make clear action plans to address the areas as identified.
45. Develop an onboarding program with the goal to orientate and engage employees in the organization on hire and throughout the course of their employment with the Town.
46. When hiring, ensure that there is a clearly defined role for the employee, with clear performance accountabilities for the employee to be measured against.
47. Review the job design, accountabilities, and performance outcomes required by each function and position within administration to determine where efficiencies can be gained to better align staffing levels with comparator benchmark municipalities and/or provide defensible rationale on differences.
48. Conduct a review of staffing levels within the organization, particularly in administration, to determine if staffing levels match with the expected growth in the Town.

Financial Status

Section 208 of the MGA assigns responsibility for the financial affairs of the municipality to the CAO. Maintaining financial records, ensuring revenues are collected, managing deposits, paying for expenditures, budgeting and tracking performance against budgets, applying for and managing grants, and investing municipal reserves are all responsibilities of the CAO. Council has a responsibility to ensure accurate reporting to council on the financial affairs of the municipality occurs, to review and approve budgets and tax rates, and to ensure an effective audit process occurs.

In order to develop a better understanding of the financial position of Penhold and the financial processes used by administration our firm obtained copies of the financial records of the Town and the most recent auditor letter. Using these financial records our consultants:

- Reviewed the Town's audited financial statements for 2010 and 2011;
- Reviewed the Town's unaudited financial records for 2012 (the financial audit for the 2012 financial statements was occurring during the inspection); and
- Reviewed available policies and procedures relating to financial transactions.

Our review did not identify any issues with the financial records of the Town. The Town's budget is set and compared with interim financial reports with Council on a regular basis..

One of the issues related to the finance area identified is cash handling within the multiplex. The procedures that are used by staff in handling cash within the fitness center are not contained within a formal policy/procedure manual. Leading practice is to ensure that this type of process is captured within a policy/procedure for staff to use as a reference and be held accountable to.

An additional issue identified during the review was related to how staff in the fitness center deal with a customer who is behind on their membership payment. Currently, the Town does not have an official policy outlining how to deal with the issue. There is a need to develop the policy so staff has clarity on how to deal with customers who are behind in their payments.

Auditor Letter

The auditor letter provided to the Town after the financial audit in 2011 identified several issues that the Town should address. Further investigation into the financial processes within the Town indicates that the finance department has been able to address most of the issues identified by the auditor. The finance department is working to address the outstanding issues and their progress will be reviewed by the auditors during the current financial audit.

Impact of Multiplex Center on Taxes

One of the issues identified by residents is the impact of the multiplex center on their taxes. The decision to build the multiplex was decided by a previous Town of Penhold Council and administration has worked hard to bring that vision to fruition. The financial impact of the multiplex on the Town was considered by the previous Council and the decision to go ahead with the multiplex was made.

In 2012, 21 percent of tax dollars were allocated to the regional multiplex. The costs associated with the multiplex included \$184,722 for the repayment of the initial capital cost to the Town for the multiplex of approximately \$2.5 million. This portion of the payment will continue annually until 2030. The rest of the costs are to cover operations of the multiplex which include salaries and maintenance of the multiplex. The Town is managing the costs of the multiplex in several ways including:

- Generating revenue through the use of the facilities within the multiplex. The arena, gymnasium and dance studio are heavily used after 5 pm each day. Additionally, at the time of writing, the Town is in the process of signing a deal with Red Deer College to use Penhold as the College's home base for their men's hockey team.
- Generating revenue through marketing of the facility. One of the functions of the Multiplex Manager is to generate additional revenue for the facility. Currently the Multiplex Manager is trying to draw concerts and other types of events such as mixed martial arts events to the facility.
- Offsetting costs by implementing cost recovery fee structures where possible. The Town is currently reviewing fitness center rates to determine if the service can be cost recovery.

The operational costs of the multiplex are a significant cost that has to be paid for by the Town and therefore Penhold taxpayers. Generating additional revenues through the use of the facility will help to offset these costs.

The rapid residential development of the Town has contributed to the ability for the Town to have a zero increase in taxes from 2010 to 2011 and possibly a zero increase in taxes from 2012 to 2013. If the development within the Town slows down or stops the financial position of the Town could be impacted with a greater burden of costs carried by the taxpayers.

Overall Financial Position

The following is a description of the Towns' financial position based on the information provided to Municipal Affairs and taken from the 2011 audited financial statements. Any information taken from the unaudited actual amounts recorded in the Town's 2012 financial statements will be noted in the description.

- In 2011, the Town of Penhold's revenue decreased dramatically compared to the prior two years, from just over \$12 million in 2009 and 2010 to roughly \$7.8 million in 2011.
- The residential mill rate for the Town of Penhold remained constant in 2011 and 2010, increasing from 7.9 in 2009 to 8.73 in 2010 and 2011.
- The non-residential mill rate for the Town decreased from 14 in both 2009 and 2010, to 12 in 2011.
- In 2009, the expenses were at \$2.7 million with an increase to \$5.2 million by 2011.
- The Town's Net Financial Assets (Net Debt) position worsened from a positive position of \$1.6 million to a negative (debt) position of (\$1.7) million in 2010. It improved in 2011 to a net debt position of (\$1.0) million.
- Long term debt for the Town decreased and has remained reasonably constant for the Town over 2011 and 2010. It took a dramatic jump in 2010 from a zero long term debt balance in 2009 due to the construction of the multiplex.
- Education taxes for 2011 were \$502,751, and are included as part of the taxes that residents pay to the Town and were collected by the Town on behalf of the Provincial Government. It should be noted that the amount of taxes collected by the Town for the school tax is outside of the control of the Town and Council.
- The Town secured Municipal Sustainability Initiative capital funding of \$452,228 and Municipal Sustainability Initiative operating funding of \$126,885 in grants from Municipal Affairs (2012 to date).
- The residential equalized assessment for the Town was \$198,611,276 in 2010, \$202,265,251 in 2011 and \$213,243,895 in 2012. From 2010 to 2011 the equalized assessment increased by 1.8 percent and from 2011 to 2012 the equalized assessment increased by 5.4 percent. One of the biggest factors driving the increase in the equalized assessment is the residential development that is occurring in the Town.

- The development of the multiplex reduced the Town's reserves. The Town has increased its cash and cash equivalents from \$143,422 in 2010 to \$1,630,272 in 2011 indicating that the Town is increasing its available cash. The CAO indicated that the Town has been able to increase its reserve fund each year from 2010 in order to have dollars available to deal with emergent issues.

The Town has considerable space available in its debt servicing and debt limits to deal with emergent issues if further financing is required. Additionally, the increase in the Town's cash and cash equivalents indicates that the Town has some liquid assets available if needed. The biggest risk to the Town at this point in time is if the residential development slows down or stops. The increase in equalized assessment due to residential development has allowed the Town to alleviate some of the tax burden from its residents.

While the financial position of the Town is strengthening, the tax base of the Town is largely carried by residents through residential taxes. Residents and interview participants indicated that there is a need to diversify the tax base within the Town. In order to address the issue the Town has created an economic development committee. The multiplex and the current development of a high school adjacent to the multiplex are intended to draw additional residents to the Town with the domino effect of drawing additional businesses and industry to diversify the tax base.

We recommend that:

49. The Town continues to explore opportunities to increase its industrial and commercial tax base in order to diversify the tax burden currently being borne by residents.
50. The Town develops a thorough explanation of its roles and responsibilities as they relate to property taxes, the components that are included in property taxes including the municipal mill rate, education tax and senior's contribution and provide the explanation to residents on their website and social media.

Relationship between CAO and Residents

The responsibilities and performance of major administrative duties for a CAO within a municipality are identified in sections 207 and 208 respectively of the MGA.

Section 207 states:

Part 6, Section 207(a – d)– Chief Administrative Officer's Responsibilities

The chief administrative officer

(a) is the administrative head of the municipality;

(b) ensures that the policies and programs of the municipality are implemented;

(c) advises and informs the council on the operation and affairs of the municipality;

(d) performs the duties and functions and exercises the powers assigned to a chief administrative officer by this and other enactments or assigned by council.

The CAO position within a municipality can be a difficult position due to the relationship between council and the CAO. Council, as the governing body, makes decisions, sets policies and bylaws and provides direction to the CAO through motions of council. It is then the CAO's job to follow and implement the policies, bylaws and direction provided by council through motions. In some cases, this brings the CAO in conflict with residents as the decisions of council are not always perceived to be the right decisions by residents.

During our review we were provided with two very different perspectives of the CAO by residents. One perspective called for the CAO's resignation or termination by Council. The main contention by residents who did not support the CAO is that he is responsible for the mismanagement of resources within the Town and that he is difficult to deal with when there are issues with residents. In the other perspective, residents indicated that the CAO was the best thing that has happened to the Town. The feeling was that the current CAO has been instrumental in the growth of the Town and obtaining the grants and funding required to build the multiplex and bringing the new high school to the Town.

The CAO holds the support of the majority of Council. Further, the relationship between the CAO and most of the Councillors is positive.

We recommend that:

51. The CAO takes into consideration the opposing perspectives of the Town's residents and work with Council and his administration to put in place an action plan that can start addressing the negative perceptions of residents. This could include the development of a communication plan ensuring that accurate and timely information is available to residents on multiple media platforms, continued "Coffee with Council", and ensuring that resident concerns are addressed in a timely manner and done with clarity and transparency.

Communication with Residents

On several occasions, both employees and residents have made comment that the Town, through the leadership of the CAO, has not provided adequate communication to and with residents on initiatives or issues that impact those that live in Penhold. As noted in an earlier

section, Town Council had commented within the CAO performance appraisals that the lack of an internal and external communication plan needed to be addressed.

The Town communicates official messages through the use of its Town of Penhold website (<http://www.townofpenhold.ca/news-releases/>), a Town Twitter account, and its official Facebook site (both of these can be found on the Town's website at <http://www.townofpenhold.ca/>). As a communication tool, the website is a very strong resource for the Town to reach a number of its residents quickly and within reasonable cost constraints. Visitors to the site do not get a very clean or quick sense of the most important event announcements – these are buried in Tweets or in the news release page. The Town may wish to consider moving these announcements to a more prominent location to avoid the messages getting lost or buried. Further, although the use of electronic media is very popular, the Town should continue to explore external communication plans that involve a healthy balance between electronic and face-to-face communication mechanisms.

There is a sign board as individuals enter the Town, which is used for quick reminders of upcoming events or important information that can be viewed quickly. Additional avenues that the Town uses to communicate with its residents include one-on-one discussions where there is an individual concern or question addressed to a Councillor or the CAO, "Coffees with Council" that occur two to three times per year, community breakfasts roughly three to four times per year, and open houses. One recent open house was conducted on February 19, 2013. At this open house, the 2012 key results were discussed along with 2013 priorities and the 2013 budget. In this most recent example, we understand that five residents turned out.

The issues raised cover a broad range. However, in one example, the development of the multiplex, both employees and residents raised the issue of the process of communication. Residents have expressed that there have not been enough avenues for communication. The Town conducted a community analysis through Conrad and Associates, which surveyed a number of individual residents, 13 organizations, and the Town's rural counterparts to determine the recreational/community wishes and needs of the population. Further, the study informed the Town of the economic considerations involved in developing and operating recreational facilities.

Throughout this process, we have heard how there has been a lack of understanding of the extent to which taxes may need to be increased. This has apparently been aggravated by the years where there were no tax increases (2011 and 2013 (proposed)). It remains important that the Town not only polls residents, but spends a considerable amount of time in front of them to provide key messaging and be available to understand and answer resident questions. However, we note that while the Town can put on a number of open houses and information sessions and use various electronic media to provide these messages and information, it is incumbent on the residents to have enough care and concern about the issue to attend and

read through the material. The communication process is two-way. We note that the Town of Penhold is in a unique situation with its multiplex and its usage by, as we understand it, typically more non-residents than residents. This has likely lead to resident frustrations as some will believe that the increase in taxes to pay for, in part, the multiplex is unfair as the residents are funding a building that is being used by those who do not contribute to the tax base for the Town. However, another perspective to be brought to bear on this particular issue would be to consider that for every non-resident user of the facility, this being essentially a user fee, it effectively removes the need for residents to pay additional funds to the Town in the form of additional taxes. This, in an indirect way, is a very good news story for the Town of Penhold and attendance by non-residents may also attract new families to relocate to Penhold.

Council and administration has responded to the perception by residents that there is not enough communication by holding two additional meetings per month where residents can participate beyond their regular Council meetings. One of the meetings is a coffee with Council where residents are able to sit with Council and hold a discussion with Council. In general, the areas of discussion identified by participants include issues/concerns that residents have, recognition for what Council and/or administration has done or questions where residents are seeking clarity. The second meeting is a community priorities meeting where Council meets with each department to discuss their priorities and issues and then meets with residents to discuss their priorities. Additionally, to address the perception that Council and administration are not open in their budgeting process open houses have been held where the purpose is to provide residents with greater clarity about the 2013 budget and the impact it may have on residents.

We recommend that:

52. Engage in the development of an organizational and residential communication plan that addresses resident questions and concerns in face-to-face, electronic, and paper methods. Measure and monitor the success rates of each method, including resident turnout at events.
53. De-clutter the Town website such that important and timely messages can be viewed by residents easily and quickly. Note: financial statements are difficult to find as they are currently located under the title "Tax Information". Title should be changed to read "Tax Information and Financial Statements."
54. Where effective, continue the "Coffee with Council", open houses, and departmental priorities meetings to ensure transparent communications with Council's key stakeholders or interest holders.

Business Licenses

An issue with business licenses and the Town's interpretation of what a business is was identified during the review. A resident was given a violation ticket for not having a business license for running a day home/babysitting business. The resident did not think they were running a business and disagreed with the Town. Concerns related to this issue included the following.

- A communication gap between residents and the Town. The Town has a business license bylaw that identifies the criteria that is used to define a business.

Section 3 of the business license bylaw states the following:

*1. No person shall within or partly within the Town of Penhold corporate limits
(a) Carry on or operate any of the businesses, callings, trades or occupations, or
(b) carry on any undertaking or do any act or use or have any article, for which a license is required under the provisions of this By-law unless he holds a valid license issued pursuant to the provisions of this By-law.*

The misunderstanding between the Town and the resident eventually ended up with the violation ticket for not having a business license being challenged in court. The violation ticket was withdrawn based on legal advice due to the unenforceability of the bylaw. Several comments were made by residents interviewed indicating that the lack of understanding on what is a business and what is not a business is a concern as they are unsure as to whether the activities they are undertaking would require a business license or not.

- Residents were concerned with the amount of time that a staff person has to spend monitoring websites such as Kijiji in order to identify businesses that are advertising their services. Further investigation indicates that Kijiji has a system on its website that allows a user to automatically identify postings related to key search words – in this case the Town of Penhold and little effort is required to monitor this type of site.

Communication of the interpretation of what is a business within the Town to residents will likely alleviate some of the stress and issues surrounding business licenses and whether a business license is required.

We recommend that:

55. The Town provides an interpretation of the business license bylaw that clearly indicates what is considered a business and what would not be considered a business, including common questions asked of the municipality as well as examples where there have been issues in the past.

Impact of Industrial Business on the Town

During the interviews with residents, one of the issues raised was the impact of the industrial business on Fleming Avenue. Residents indicated that they felt that the heavy industrial business was unsafe and posed a health risk due to the hazardous material that escapes into the air during loading. They indicated that there is a fine dust that covers vehicles, etc. that are parked outside. The Town has responded by requiring temporary air monitoring of the site and surrounding area to determine if there are any issues with air quality or any health risks. The report on the results was not finished at the time of writing this report. Additionally, the Town contacted Alberta Environment, Alberta Health Services and Occupation, Health and Safety to discuss the issue without any outcomes resulting to date.

Additionally, residents indicated that there is an issue with the large trucks parking on Fleming Avenue and making it difficult to drive down the street. The Town is aware of the issue and is working with the business owner to alleviate the issue.

Perception the Town is Anti-business

One of the issues identified by residents is that the Town is anti-business. Some residents indicated that there were multiple people who approached the Town to start a business but did not continue with the process due to the response they received from the Town. Additional factors that were identified as contributing to very little commercial and industrial growth in the Town include:

- Location to the City of Red Deer and Town of Innisfail – The location of the Town of Penhold close to Gasoline Alley in Red Deer and the City of Innisfail impacts the ability of the Town to draw in business
- A large proportion of residents work outside of the Town of Penhold and obtain what they need in other communities rather than in Penhold.

- Negative perception of the Town – Some residents indicated that there is a negative perception of Penhold from people outside of the Town because of the tax and multiplex issues. Participants indicated that some potential business owners have passed over the Town of Penhold because of their negative perception of the Town.

Currently the percentage of taxes gathered by the Town by commercial and industrial businesses is very low (<5 percent of tax dollars).

The following table on page 77 summarizes permitting for the Town of Penhold for 2011 and 2012.

| | Permits | | | New Units | | | Dollar Value | | |
|----------------------------|------------|------------|------------|-----------|-----------|------------|------------------------|------------------------|------------------------|
| | 2011 | 2012 | Total | 2011 | 2012 | Total | 2011 | 2012 | Total |
| Single Family Homes | 36 | 63 | 99 | 36 | 63 | 99 | \$6,399,527.20 | \$11,877,506.00 | \$18,277,033.20 |
| Duplex | 3 | 5 | 8 | 6 | 10 | 16 | \$695,800.00 | \$1,202,400.00 | \$1,898,200.00 |
| Multi-Family Home | 5 | 2 | 7 | 20 | 8 | 28 | \$2,406,000.00 | \$930,000.00 | \$3,336,000.00 |
| Manufactured Home | 1 | 0 | 1 | 1 | 0 | 1 | \$98,000.00 | | \$98,000.00 |
| Additions/ garage/deck | 38 | 45 | 83 | 0 | 0 | 0 | \$418,000.00 | \$535,100.00 | \$953,100.00 |
| Commercial | 3 | 0 | 3 | 0 | 0 | 0 | \$195,000.00 | | \$195,000.00 |
| Institutional | 0 | 2 | 2 | 0 | 0 | 0 | | \$12,019,870.00 | \$12,019,870.00 |
| Industrial | 0 | 1 | 1 | 0 | 0 | 0 | | \$1,000,000.00 | \$1,000,000.00 |
| Misc. Permits (HBB/Var) | 32 | 26 | 58 | 0 | 0 | 0 | | | \$0 |
| Total | 118 | 144 | 262 | 63 | 81 | 144 | \$10,212,327.20 | \$27,564,876.00 | \$37,777,203.20 |

Residential development has been the biggest driver of growth in the Town for the past two years. Very little industrial and commercial development has occurred in the Town in 2011 and 2012.

The creation of the economic development committee is intended to help address this issue. Additionally, during the time of writing this report a new grocery store opened in the Town that included a pharmacy.

We recommend that:

56. The Town continue with the Economic Development Committee in order to draw additional industrial and commercial businesses to the Town.

Mismanagement of the Fitness Center

Residents interviewed indicated that the Town had mismanaged the fitness center in the multiplex. The intention of the fitness center was to privatize the service and lease the space to a business to run the multiplex and the Town was able to find a person willing to take on the business. Unfortunately, the business failed fairly quickly and the Town was unable to collect rent from the business for several months. Research indicates that 80 percent of small businesses fail within three years⁵. The Town took over the management of the fitness center in order to provide the services to the people who had purchased memberships. In order to find another possible business to run the fitness center the Town put the business out to bid. The Town received one response to the bid and after further analysis the business declined the opportunity. The lack of interest in the business left the Town with the management of the fitness center. The Town is currently working to set its fee structure up so that the fitness center is cost recovery and able to cover its expenses through other revenues rather than tax dollars.

⁵ <http://www.moyak.com/papers/small-business-statistics.html>

We recommend that:

57. Council determines if the Town will continue to provide fitness center services.
58. If the answer is no to recommendation number 57, then administration needs to provide Council with a recommendation and options for the highest and best use of the space in the Multiplex (which may be a fitness center) and determine what actions need to be taken to attract an appropriate business (or businesses) to the space.
59. If the answer is yes to recommendation number 57, the Town set a fee structure for the fitness facility with the goal of cost recovery.

Town Office Moving to Multiplex

One of the issues identified by residents during the inspection is moving the Town office into the multiplex rather than renovating the old office. Some residents indicated that there was a significant cost borne by the taxpayers for moving the office into the multiplex – particularly the opportunity cost related to not renting the space to generate revenue. Further investigation identified that the Town conducted a cost analysis of moving the office into the multiplex versus renovating the old office versus building a new office. Of the three options, moving into the multiplex required the least cost with the potential for significant savings and additional factors including the amount of grant dollars the Town was able to secure in developing the multiplex; the space in the multiplex provides a long term solution for the Town as additional staff are needed as the Town grows; and the space allows for almost all Town staff to be located in the same office promoting communication and teamwork. While there was a cost associated with moving to the new space, the moving costs would have been similar if the Town had chosen to build the Town office in another location.

Additionally, by moving out of the old office the Town has been able to provide the volunteer fire department with office space, a place to store and maintain their equipment and training space for volunteers to ensure that the volunteer firefighters are fully trained and safe when providing services to the Town.

Other Matters

Misinformation Provided to Residents

Throughout the review we encountered several accusations of mismanagement of funds and resources by the Town. Further investigation revealed that there is a significant amount of

misinformation being provided to residents within the community. The following outlines some of misinformation that we identified during the review.

- The cost of the street sweeper and Zamboni – Several residents indicated that the Town spent \$750,000 on a new street sweeper and a new Zamboni. Further investigation into the actual purchase price revealed that the street sweeper cost approximately \$226,000 and the Zamboni cost approximately \$90,000.
- Promoter for the grand opening of the multiplex – Several residents indicated that they were told that the Town paid a promoter an initial fee of \$50,000 to bring in high profile entertainment for the opening of the multiplex and the promoter did not provide the entertainment and walked away with the money. The Town did try to work with a promoter to bring in high profile entertainment for the opening of the multiplex. The promoter was given an initial payment of approximately \$25,000 to secure the entertainment. Unfortunately, the promoter was unable to secure the entertainment and walked away from the Town with the money. The Town started the legal process to pursue the promoter in order to collect the money. The Town was given legal advice that it would cost the Town more money to recover the money legally than the amount of money that was lost.
- Permitting in the municipality – Residents indicated that the Town contracts out their permitting and does not receive a percentage of the permit fee. Further investigation identified that the Town does contract out its permitting and receives a percentage of the permit fees from the contractor for each permit that is processed.
- Snow removal at the multiplex – During our inspection residents indicated that the multiplex manager had a contract with the Town to remove snow outside of the multiplex that was in addition to his salary as the multiplex manager. Discussion with administration identified that there is no such contract with the multiplex manager and removal of snow outside of the multiplex is carried out by public works and multiplex staff.

The above are examples of the type of misinformation that is circulating among residents in the Town. Unfortunately, the misinformation has contributed to the degradation of the relationship between some residents and Council and some residents and administration. As identified in previous sections communication with residents is a critical process within any municipality and just as important is to ensure that a consistent message is being provided to residents from Council and administration.

Property Flooding

We noted that the issue of property flooding was mentioned by a number of residents interviewed during this inspection. The primary concerns were focused on new development or property enhancements that created elevation differentials between properties; there does not appear to be a bylaw that addresses this directly.

Some residents did mention the Water and Sewer Utility Bylaw No. 641/08. In this bylaw, section IV, subsection 2(a) indicates the following:

“No consumer shall cause, permit or allow the discharge of water so that it runs to waste, whether by reason of leakage from underground piping, a faulty plumbing system or otherwise.”

However, this is likely inadequate to address the concerns of the residents. It would be advisable that the Town consider a bylaw that addresses water runoff from surrounding properties, which would likely deal with this gap.

Although residents did not feel that the Town was providing adequate responses to their concerns, the Town does acknowledge the drainage concerns in the 2012 Tax Information bulletin online. This may not adequately address the issues that were raised due to developments or enhancements. The following is an excerpt:

“There has been concern in drainage within certain locations in Town when a severe weather event occurs. Council has requested a storm water study to determine options to resolve the trouble spots. There is an in-depth engineering focus throughout town with a key focus on the troubled spots. Construction work on several spots began last fall with additional work occurring this year. Project work for 2012 will include.

- *Engineering Storm water management report*
- *Construction work at Lincoln Street intersection upsizing piping into the new lift station.*
- *Some minor drainage work along Emma Street.*
- *Construction work has occurred to divert water flows from the Lee/Robinson intersection with additional work occurring this year.*
- *Some possible work along highway 2A on the south end of town with Ab. transportation assistance. “*

We recommend that:

60. Council and administration work jointly on a communication plan to address any misinformation that is circulating among residents and/or employees.
61. The Town meets in a public forum with residents that have expressed concerns over flooding to outline the Town's responsibilities, the resident's responsibilities and the Town's approach to mitigating any issues that are their responsibility.

Concluding Comments

This inspection identified a number of areas of concern with the CAO and Council. Key amongst these are:

- Working relationships between Councillor Hoffman and the rest of Council, which have resulted in Councillor Hoffman being removed from Council committees;
- Working relationships between Councillor Hoffman and administration, which have resulted in the perception of intimidation and bullying on the part of Councillor Hoffman;
- Communication and misinformation between the Town and residents which has resulted in a skewed view of the management of the Town's tax dollars;
- The current gap in a fully developed Human Resources function, including the lack of direction and clarity from the CAO on this function, is causing uncertainty on behalf of the individual in the role, as well as the managers and staff who are attempting to effectively make their way through the assorted aspects related to human resources (performance management, staffing, compensation, reward practices, succession planning, training and development).

The petition driving this review identified mismanagement of resources and a high tax rate as the impetus of this review. Our final comments on these two issues include the following.

- Mismanagement of Resources – during our review we identified two errors by administration that could be construed as mismanagement. The first was providing a promoter with approximately \$25,000 and not receiving any services from the promoter. While this was a mistake, we did not find any mismanagement as the Town explored what it would take to recover the money and were provided with the advice that it would cost the Town more money to recover the money than the amount they would recover. While this was a tough lesson for the municipality to learn, it is unlikely that this will happen again. The second was the lost rent due from the business running the fitness center. While the Town did lose money due to them for rent, we did not find any

mismanagement as the Town decided to honor the memberships that had already been paid for and determined that would take over the service and conduct a search to find a new owner. The search did not identify another interested party and the Town is currently moving toward a cost recovery fee structure so that the fitness center has a minimal impact on tax payer dollars.

- High Tax Rate – the Town of Penhold is near the top end of the tax rate compared to its comparators within the province but is by no means the municipality with the highest tax rate. Given that the highest mill rate in our comparators is more than 2 mills higher (a mill rate represents the municipality’s portion of property tax) than Penhold’s mill rate and we do not find that the municipality has a high tax rate compared to the top two comparator municipalities who have large recreation complexes similar to the Town. The most significant issue impacting the residential mill rate is the lack of industrial and commercial tax base.

The recent issues between some residents and the municipality (Council and administration) have negatively impacted the reputation of the Town and many participants indicated that potential residents and businesses have suggested that they would not consider moving to Penhold because of these issues.

The municipality is generally well managed with areas that can be improved as indicated in the recommendations throughout the report. A key matter of concern identified is the actions and approach of Councillor Hoffman with Council and Administration. The actions taken by Councillor Hoffman are improper and not suited to the roles of an elected official in governing a municipality. Most notably, the report identified and discussed Councillor Hoffman’s use of media (including social media) to criticize administration and Council, and the perception that some of Councillor Hoffman’s actions are an attempt to bully and intimidate members of Council and administration. The use of improper in this case, as applied to the Town of Penhold, can be defined as:

Improper - Not suitable; unfit; not suited to the character, time and place.

The identified improper conduct has resulted in the removal of Councillor Hoffman from representing Council on committees and a significant lack of trust by Council and administration in Councillor Hoffman.

We recommend that:

62. Councillor Hoffman has no further contact with staff within the organization except for working, through Council, with the CAO to answer his questions and issues.
63. Councillor Hoffman discontinues his negative comments about Council and administration in the media and social media.