

VILLAGE OF STROME VIABILITY PLAN

June 2015

A report concerning the viability of the Village of Strome
by the Village of Strome Viability Review Team

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Village of Strome Viability Review

Alberta Municipal Affairs

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PREFACE

This document provides information on the Village of Strome's finances and governance, as well as programs and services that are offered by the Village of Strome for its residents. This document is based on information collected from the Village of Strome throughout the viability review process and is reflective of the most current information available at the time of writing.

The structure of this document reflects the spirit of the Government of Alberta's Municipal Sustainability Strategy and the Viability Review Team's approach in determining the Village of Strome's long-term viability.

Some terms used throughout this document are:

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

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

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

Equalized assessment: is a means of comparing property wealth among municipalities. The assessed values of all properties in Alberta are brought to a common level, which is used for cost-sharing programs such as education funding. The value is calculated by Alberta Municipal Affairs and it may differ from the assessment found in the municipal tax bylaw.

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

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

EXECUTIVE SUMMARY

History of Strome

The Village of Strome is located in Flagstaff County on Highway 13, approximately 60 kilometres east of the City of Camrose, 100 km north-east of the Town of Settler, and 120 kilometers west of the Town of Wainwright.

Strome's history dates back to early 1905, when the village site quickly became a successful centre serving the farming community with a restaurant and hardware store. In the fall of 1905, Max Knoll opened the first post office under the name of Knollton and set up the first general store. The name of the first post office was changed to "Strome" on July 1, 1906. The hotel, a second hardware store and churches soon followed. Strome became an incorporated village on February 3, 1910. Remnants of the four grain elevators still line the tracks. Passenger and freight trains now pass through town and only a handful of local businesses remain. Today the population of the village is 228 residents, less than half of what it was a century ago.

Today, the post office, bank, grocery store and gas station are the main businesses within the village. Despite a decline in non-residential assessment, the village maintains a number of recreational amenities including a campground and picnic area, baseball diamonds, an outdoor skating rink and a two-sheet curling rink. In addition to the seniors' drop-in centre and community hall, the village has a museum that is staffed by volunteers. In 2010, the village developed and serviced a number of residential lots to the north of the village; these lots can be purchased from the village for \$4,800 if the buyer agrees to develop within two years from the date of purchase.

The median age of residents in the village is 50.7 years, with roughly half of the residents over the age of 50 and a quarter of the residents under the age of 19. Comprised of a mixture of young families and retired couples, the village recorded a 11.6 per cent decrease in population from 2003-2013. The local school that once provided education for approximately 70 students (grades one through nine), permanently closed in September 2012.

Current State of Strome

Flagstaff County has been providing administrative services to the Village of Strome on a contractual basis since 2008. In 2013, these services expanded to include the public works department. In January 2015, a Master Services Agreement combining both administrative and public works services was signed with Flagstaff County. This agreement is set to expire December 31, 2015.

In 2014, Strome spent close to \$450,000 to operate the village and provide services to residents. Those expenses were offset by property taxes, grants, user fees and other revenues. In addition to operating costs, the village added approximately \$250,000 of capital assets, funded mainly by grants from provincial and federal governments. The village had enough cash on hand that it could meet its financial obligations as they came due. Strome has no outstanding debt and is generally in good financial condition.

In April 2014, the Village of Strome council requested that the Minister of Municipal Affairs undertake a viability review for the village. Prior to undertaking this review, a viability review screening was conducted to assess and confirm the issues facing the village were viability related. Based on the findings of the screening and the performance on key measures (Appendix A: Performance on Key Measures), a viability review was initiated. In November 2014, the Village of Strome Viability Review Team was established consisting of elected and administrative officials from the Village of Strome and Flagstaff County as well representatives from the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Alberta Rural Municipal Administrators Association and the Local Government Administration Association.

Near the end of January 2015, after an in-depth analysis and consideration of municipal operations, the Viability Review Team determined that the Village of Strome was trending towards non-viability. Aging infrastructure, limited non-residential tax base, anticipated reductions in government grants and a lack of interest in local governance by residents, were cited as the major contributing factors. The Viability Review Team acknowledged that the factors that lead to the determination were not unique but, in this combination, significantly affected the Village of Strome's long-term viability.

In March 2015, following the viability determination, facilitated discussions were undertaken with both council and administration of the Village of Strome and Flagstaff County in an effort to determine what measures may be possible to enable the village to become a viable municipality, or to look at the option of becoming a hamlet within Flagstaff County. On April 7, 2015, the Viability Review Team made the decision to proceed with the completion of the viability report, ahead of the completion of an infrastructure audit.

The final version of the Viability Plan was presented to village council at a special council meeting on June 10, 2015. Following the presentation, village council voted unanimously in favour of dissolving the Village of Strome and Strome becoming a hamlet in Flagstaff County. A public vote is scheduled for September 29, 2015 at the Strome Seniors' Centre where residents will vote to either remain as a village or to dissolve and become a hamlet in Flagstaff County.

This document presents a summary of the Viability Review Team findings, including how the village is administered and how municipal services are delivered to residents and the potential changes and impacts that residents may face if the Village of Strome remains an incorporated municipality or becomes a hamlet within Flagstaff County.

VIABILITY REVIEW PROCESS AND DETERMINATION

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

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

Over the next several months, the VRT gathered information regarding the village's finances, governance, infrastructure and programs and services. On January 30, 2015, the VRT came to the determination that the Village of Strome is trending towards non-viability due to the following factors:

- The village's finances are projected to show deficits due to the anticipated cuts to provincial government grants for the village's operations. The impact of these cuts will result in future tax increases and the eventual depletion of the village's limited financial reserves.
- The village has very few non-residential (business) taxpayers and the lack of development and growth in the municipality has led to a greater dependence on the village's residential tax base.
- The village's aging infrastructure will require significant upgrades or replacement, which the village may not be able to afford with its limited financial capacity.
- The cost of providing municipal services essential to Strome residents is rising at a rate faster than the village's ability to raise revenue.
- The village has experienced a lack of interest in village governance by residents. The increasing concerns regarding the inability to attract interest in running for political office call into question the future viability of the village.
- The village's population shows a gradual decline in the past twenty years and the age of the village's population continues to rise.

On April 7, 2015, the VRT made the decision to proceed with completing the viability report, ahead of the completion of an infrastructure audit. A draft copy of this document was shared with village and county councils for comment. The final draft version of the Viability Plan was presented to village council at a special council meeting on June 10, 2015. Following the presentation, village council voted unanimously in favour of dissolving the Village of Strome and Strome becoming a hamlet in Flagstaff County. A public vote is scheduled for September 29, 2015 at the Strome Seniors' Centre where residents will vote to either remain as a village or to dissolve and become a hamlet in Flagstaff County.

VIABILITY OPTIONS FOR STROME

Option 1. The Village of Strome remains as a village and implements changes to achieve viability

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

If this option is chosen by either village council or village electors, the Viability Review Team will finalize recommendations that will be forwarded to the Minister of Municipal Affairs. The Minister may issue a directive and require village council to implement some or all of the Viability Review Team’s recommendations.

POTENTIAL BENEFITS	POTENTIAL CHALLENGES
<ul style="list-style-type: none"> • Staff serve as a local point of contact and are available to provide municipal services in the community. • Local decision-making is maintained and is based on priorities determined by residents of the village. 	<ul style="list-style-type: none"> • Difficulty in finding and encouraging people to run for political office as well as retaining and attracting qualified village staff. • There may be an increase in taxes, user charges and utility fees to continue to offer services to residents. • There may be future reductions in the services provided by the village to the residents due to the cost of providing the service(s).

Option 2. Dissolve the Village of Strome and Strome becomes a hamlet in Flagstaff County

This option would see the orderly dissolution and wind-down of village operations. Strome would become a hamlet in Flagstaff County. Village council would be dissolved and village residents would be represented by the county councillor in Division 5. All of the village’s assets, liabilities, functions and obligations would be transferred to the county.

If this option is chosen by both village council and village electors, the Minister of Municipal Affairs must recommend to the Lieutenant Governor in Council (Cabinet) that the village be dissolved. The Lieutenant Governor in Council may set the date of the dissolution and Flagstaff County would assume control over the village on that date.

POTENTIAL BENEFITS	POTENTIAL CHALLENGES
<ul style="list-style-type: none"> • More efficient delivery of services would be achieved due to the county’s economy of scale. • Residents would have access to a greater range of services through Flagstaff County and continuity in the provision of services remains. • As indicated by the millrates set by the county, property owners in Strome may initially pay lower taxes. However, special taxes and levies may be applied to residents to cover local improvements (Appendix D: Excerpts from the <i>Municipal Government Act</i>). 	<ul style="list-style-type: none"> • Special taxes and levies may be applied to hamlet residents to cover local improvements. • Service levels could be different than those currently experienced within the village. • There may be increases to user charges and utility fees for municipal services. • There will be a loss of local decision making as hamlet decisions are made by county council.

POTENTIAL CHANGES AND IMPACTS TO RESIDENTS

Sustainable Governance

HOW STROME OPERATES TODAY

- Village council consists of the three elected officials. The mayor is appointed annually at the organizational meeting from among the elected councillors. Village council holds regular meetings on the third Thursday of each month in the municipal office.
- In 2007 and 2010, the village held elections; however, in 2013 village council was acclaimed. In recent times the health and age of village council has been of concern.
- In December 2014, the mayor passed away requiring a by-election. In March 2015, the village informed Municipal Affairs of insufficient nominations and the village was granted an extension to fill the vacancy.
- The village has 51 bylaws to govern various matters within the village.
- Operational and capital priorities are determined annually through the village’s sustainability plan. The plan identifies goals to which administration and council will work towards in the areas of economy, environment, infrastructure (utilities, services, roads, and sidewalks), governance and place-making/culture/recreation.
- The village makes public announcements and provides information to residents through a monthly newsletter. In addition, residents can find information, including village bylaws, policies and office hours at www.villageofstrome.com.

IF STROME REMAINED VILLAGE

- Council representation would not change, residents would be encouraged to run for positions on village council.
- No changes are anticipated in the area of communications and community engagement.
- Village council would continue to develop bylaws and policies that govern the village. No bylaw changes are proposed at this time.
- Bylaw enforcement is ongoing and additional resources will be required to ensure bylaws are enforced.

IF STROME BECAME A HAMLET

- Village council would be dissolved and decisions regarding the hamlet would be made by Flagstaff County council.
- Residents would be represented by the county councillor in Division 5 and would be eligible to run for office in the next general election.
- Bylaw enforcement would be consistent throughout the county. Existing village bylaws would be enforced by county Peace Officers until they are either repealed or replaced. Hamlet residents would also be required to comply with any existing county bylaws.
- Residents would receive information from Flagstaff County via their Division 5 representative, updates posted on www.flagstaff.ab.ca, notices issued in the local newspaper and correspondence by regular mail.
- Residents would be able to raise concerns by contacting the county office, the Chief Administrative Officer or county staff responsible for that service area.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- The reluctance of village residents to run for public office is a concern. A strong village council and an engaged community helps to ensure the village’s long-term viability.
- If the Village of Strome was to remain a village, consideration should be given as to how to encourage residents to participate in local governance and run for local office.
- The Viability Review Team did not have any concerns with how the village was represented, the bylaws that were in place or how council meetings were conducted.

Regional Cooperation

HOW STROME OPERATES TODAY

- Strome has a long history of working cooperatively with Flagstaff County and neighbouring municipalities.
- The Village is currently a member of 15 regional committees and boards including:
 - Flagstaff Intermunicipal Partnership Committee
 - Battle River Alliance for Economic Development
 - Flagstaff Intermunicipal Assessment Review Board
 - Flagstaff Family and Community Services
 - Flagstaff Regional Housing Group
 - Flagstaff Emergency Services Committee
 - Flagstaff Regional Solid Waste Management Association
 - Flagstaff Regional Subdivision and Development Appeal Board
 - Flagstaff Regional Water Operators Consortium
 - Parkland Regional Library
 - Flagstaff’s Initiative to Relationship & Spousal Trauma
 - Trail of the Buffalo
 - GoEast Regional Tourism Organization
 - Community Action Committee
 - Alberta Urban Municipalities Association
- Council participation on these boards is important to understanding how regional changes or initiatives may affect village residents.
- Since 2008, the village has contracted various municipal services from Flagstaff County. Over time this agreement has evolved to where Flagstaff County now provides all administrative and public works services to the village (Appendix C: Master Services Agreement).

IF STROME REMAINED VILLAGE

- No changes are anticipated in the area of regional cooperation.
- The village would continue to contract administration and public works services from Flagstaff County.

IF STROME BECAME A HAMLET

- Membership in regional organizations would continue under Flagstaff County. Strome’s interests would be represented by the county’s Division 5 council representative.
- For political advocacy the village would no longer be a member of the Alberta Urban Municipalities Association, but would be represented by the Alberta Association of Municipal Districts and Counties, under Flagstaff County.
- Existing agreements would be reviewed, and where required, would be transitioned to the county.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- Strome has a long-history of regional partnerships and continues to work well with its neighbours. The renewal of a shared services agreement with Flagstaff County underscores the importance of how such relationships have become fundamental to village operations.
- If Strome remained a village, participation on these committees and regional boards would be essential to ensuring the long-term viability of the village. The village may be encouraged to reevaluate committee membership to maximize value to village residents.
- If Strome became a hamlet, regional participation would continue through Flagstaff County and the costs associated with providing residents with services may arguably be reduced through an increase in operational efficiency.

Administration, Policies and Practices

HOW STROME OPERATES TODAY

- The municipal office is located at 5025 - 50th Street and is open Thursdays from 9:00 a.m. to 4:00 p.m. In addition to providing municipal services, the village also rents space to Canada Post.
- Flagstaff County has been providing administrative services to the village since 2008. In 2013, the village contracted the county to provide public works services to the village. In January 2015, a Master Services Agreement was signed with Flagstaff County to provide both administrative and public works services to the village (Appendix C: Master Services Agreement).
- In addition, the Master Services Agreement allows access to a number of administrative personnel employed by Flagstaff County.
- Village council have expressed that a service agreement of this nature provides residents with a level of continuity and professionalism that is hard for the village to attract.
- The cost of the 2014 Master Services Agreement was \$163,556, which included a \$10,000 subsidy from Flagstaff County. The agreement included 2.4 FTE (1.4 Administration and 1.0 Public Works). Strome also budgeted an additional \$43,420 to cover other public works staff costs. The total 2014 budget for all services was \$206,976.
- In 2015, the cost of the Master Services Agreement was \$262,559, which also included a \$14,550 subsidy from Flagstaff County. The increase was attributed to the consumer price index, additional public works staff of 0.6 FTE, additional employee compensation and overhead costs.
- The village contracts out residential bylaw enforcement matters such as animal control, unsightly premises, noise and nuisance concerns to NIC212 Services.

IF STROME REMAINED VILLAGE

- The village office would continue to be open one day per week.
- Flagstaff County indicated that they would likely continue to offer administrative and public works services to village residents.
- Residents may face tax increases or service reductions if the costs of providing services continue to increase.

IF STROME BECAME A HAMLET

- Hamlet issues would be dealt with by Flagstaff County.
- The village office would be closed and residents would be required to call or visit the county office northwest of Sedgewick.
- Bylaw enforcement and other municipal services would be administered from the county office.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- The village's ability to attract and retain qualified staff is a major factor in the long-term viability of the village. The Master Services Agreement with Flagstaff County provides the village with continuity and staff resources to address the emergent issues within the village. In 2014, Strome collected \$218,628 in municipal tax revenue. In 2015, the cost of this Master Services Agreement will exceed the municipal tax revenue by \$43,931, requiring the village to cover the difference from other revenue sources.
- If Strome remains a village, the cost of providing municipal services through an agreement of this nature may be unsustainable, and most likely would result in future tax increases or service reductions.
- If Strome became a hamlet, residents can expect minimal service disruptions as the county has been providing municipal services to village residents since 2008, but also may experience special taxes or levies to cover the costs of future hamlet improvements.

Municipal Finances and Accounting

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

In the village, the budget cycle begins in September with a review of the Municipal Sustainability Plan. Once the plan has been approved, administration begins to gather information on projects to include in next year's budget. In December, a draft budget is presented to council for approval. A final budget is adopted in March/April.

At the end of each fiscal year, municipalities prepare financial statements which must be audited by an independent auditor appointed by council. The financial statements are public information and are available to the public in May of the following year. Since 2012, the Village of Strome has received a clean audit opinion, indicating that the financial statements fairly represent the financial position of the municipality at December 31.

Municipalities have access to several different revenue sources to fund operations and capital improvements. The primary source of revenue is property taxes. Other revenue sources include grants (federal and/or provincial), franchise fees (monies that are collected by utility providers based on a percentage of the utility bill and forwarded to the municipality) and user fees (costs a consumer pays for a program or service).

In 2014, the village reported \$543,821 in expenses and \$442,773 in revenues. The majority of municipal expenditures were allocated to administration, water/waste water and waste management. Municipal revenues included \$218,628 from municipal taxes, \$48,756 from government transfers or grants, \$141,477 from utility revenue, sales and user fees, with the remaining \$33,912 from investments, franchise agreements rentals and sales of assets. As of December 31, 2014, the village reported \$527,186 in deferred revenue, net financial assets of \$392,901, and \$0 in long-term debt.

For utility services, municipalities are encouraged to fund the service through user fees on a full cost recovery basis. The village reviews utility rates annually as part of the budget process. Although the village has not formally adopted full cost recovery for utility rates, the 2015 budget reflects a move towards full cost recovery for utility services.

The financial position of any municipality can be considered by reviewing two key figures reported on the financial statements: Net Financial Assets (Debt) and Accumulated Surplus. Net Financial Assets (Debt) is equal to total financial assets less total liabilities. Since 2010, the village has had the required financial assets to cover its liabilities and approximately 51 per cent of the useful life of village assets remains.

Appendix B: Annual Revenues and Expenses provides additional details regarding the operational revenues, and expenses as well as future budget scenarios.

IF STROME REMAINED VILLAGE

- With the rising costs of providing services and potential reductions in operating grant funding, village residents may face reductions in service delivery, tax increases or increases in user fees.
- If necessary, based on 2014 revenues the village may borrow up to \$664,160 for future projects.
- In addition, the village may have to implement special taxes or local improvement levies to cover the expenses of providing the services that village residents request.
- The infrastructure reserve fund must be increased either through additional taxes, levies or fees to ensure that funds are available should an unexpected event occur.

IF STROME BECAME A HAMLET

- The county would assume the assets, liabilities, rights, duties, functions and obligations of the village upon dissolution.
- Any previous grant allocations that were not spent would be transferred to the county. The county may also receive grants to assist with the costs associated with the dissolution of the village, subject to the conditions of the grant guidelines.
- The county will receive the village's rights to revenues on the date of dissolution. In addition, the county may be able to levy additional taxes or local improvement levies to supplement revenues received for the hamlet.
- To ensure compliance with the *Municipal Government Act (MGA)*, the county may use proceeds of the sale of hamlet assets to ensure hamlet revenues offset hamlet expenses.
- Flagstaff County would determine which assets are no longer required and, through public tender or advertised in the local paper, would sell those assets.
- Money transferred from the village to the county and money received from the sale of any village assets must be used to reduce village liabilities or for projects in Strome.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- Since 2010, the village has received a clean audit opinion and has had enough cash on hand to meet its financial obligations.
- Although the financial cost of the Master Services Agreement and potential reductions to grant funding will put pressure on the village to find operational efficiencies, the Viability Review Team acknowledges that administrative efficiencies, access to qualified staff and continuity are also significant considerations for the viability of the village.
- If Strome is to remain a village, the municipality must increase reserves and anticipate an annual increase to the cost of the Master Services Agreement.

Property Taxes and Assessment

STROME'S TAXATION AND ASSESSMENT

- Non-residential assessment declined by 12 per cent from 2003 – 2013. Assessment is currently comprised of 85 per cent residential and 15 per cent non-residential.
- Six businesses operate within the village.
- A homeowner with a residential property valued at \$100,000 can expect to pay \$1,420 in municipal taxes; where as a commercial property owner, with a similarly assessed property, can expect to pay \$2,112. In 2014, the
 - residential millrate was 14.204
 - non-residential millrate was 21.129
 - minimum tax rate for residential and non-residential properties was \$1,050.
- Tax penalties are 12 per cent on the current taxes unpaid after August 1 and an additional 12 per cent on the total outstanding balance on January 1 of the following year and again each January 1 thereafter until paid.
- In 2014, the village had \$41,255 in uncollected taxes or municipal fees.
- More than 50 per cent of the outstanding taxes are from 2014.
- The village follows the tax recovery process outlined in the *MGA*. Since 2012, there have been four property tax sales. In 2015, village administration estimates an additional four properties may go to tax sale.
- Both Flagstaff County and the Village of Strome use the same assessor. Assessment services are included as part of the Master Services Agreement.

IF STROME REMAINED VILLAGE

- Residents will see potential increases in property taxes.
- The village will continue to apply tax penalties and collect on over overdue accounts.

IF STROME BECAME A HAMLET

- Flagstaff County would assume the assets, liabilities, rights, duties, functions and obligations of the village upon dissolution.
- The county may use proceeds of the sale of hamlet assets to ensure hamlet revenues offset hamlet expenses.
- Property taxes would be owed to Flagstaff County and the county would utilize the tax recovery process available to all municipalities for delinquent accounts.
- The 2014 county residential millrate was 4.5333 which means that a homeowner with a residential property valued at \$100,000 can expect to pay \$453.33 in municipal taxes; where as a commercial property owner, with a similar assessed property, can expect to pay \$1,567.
 - The county can levy additional taxes or local improvement levies to supplement revenues received from hamlet residents.
 - Service levels may decrease given the reduced amount of revenue collected.
- October 15 is the county's tax deadline. A payment received after this date is subject to a 12 per cent penalty, and a further six per cent is applied after May 1 of the following year.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- The village has mostly residential assessment, which means that the majority of the taxes are levied from residential properties. The population has continued to decline and with the closure of the public school in 2012, there are increasing concerns that the taxes within the village will become too high for residents to afford.
- If Strome is to remain a village, the municipality will need to diversify its assessment base and implement stricter tax penalties and recovery mechanisms to recover overdue accounts.
- If Strome is to become a hamlet, the county may impose additional taxes or local improvement levies to offset hamlet specific costs. In addition, the county may annually set a separate millrate for residential properties within the hamlet in accordance to Section 297 of the *MGA* (Appendix D: Excerpts from the *Municipal Government Act*).

Infrastructure

In 2008, Focus Corporation was commissioned to assess the infrastructure within the village. The infrastructure assessment included a review of the following:

1. Water Treatment and Distribution System
2. Wastewater Collection and Treatment System
3. Roads, Sidewalks and Drainage

Since 2008, the village has worked to upgrade its infrastructure based on the recommendations provided in the 2008 infrastructure audit. In 2015, the village was granted \$150,000 under the Alberta Community Partnership program to undertake a comprehensive infrastructure assessment as part of the viability review process. Although the results of the infrastructure audit were not available at the time of this report, the Viability Review Team, with the support of representatives from the Village of Strome and Flagstaff County requested the viability plan be completed prior to the completion of the infrastructure assessment. The following is a collection of information from the 2008 infrastructure report and information provided by village administration.

Water Treatment and Distribution Systems

The water treatment plant received major upgrades in 1985 and 2010. The water distribution system consists of 150 mm, 100 mm and 38 mm pipes with isolation valves and hydrants. Focus Corporation report noted that the system has aged and requires replacement of the pumping system and related mechanical piping; replacement of an engine driven standby pump; replacement of the chemical feed system, removal of the pressure tanks; and an electrical system upgrade. In addition the following upgrades were also recommended:

- upgrade lines to 150 mm to meet Alberta Environment Standards,
- additional hydrants based on a 70 metre fire protection radius, and
- additional valves are needed to isolate sections of water mains.

Focus Corporation recommended that the two ground water wells dug in 1990 and the water treatment plant was sufficient for a population of 400 residents. All of the water lines were replaced in 1975. Focus Corporation also advised that the water main valves are corroded and need replacement. The village will complete this work in 2015. Additionally, Focus Corporation also recommended the addition of new lines to improve water flow and new fire hydrants. In 2008, the cost estimate provided for undertaking improvements to the water treatment distribution system was estimated at over \$2 million.

Wastewater Collection and Treatment Systems

The original wastewater (sewer) system was constructed in 1963. The system consists of 200 mm pipe, 250 mm mains, a lift station, sewage force main and sewage lagoon located north of the community. In 1983, a 150 mm sewage force main was constructed from the lift station to the new sewage lagoon. Although engineers recommended major upgrades in 2010, due to a lack of funding, a number of smaller upgrades were completed. In 2012, broken concrete was collected and used to build up the cell walls. Both pumps were replaced in 2013. A new furnace was installed and a diesel generator was added for backup power. Engineers noted that the lagoon has sufficient capacity for a population of up to 400 people.

Roads, Sidewalks and Drainage

The engineers indicated there was no specific area that required immediate attention. They recommended that funds from the Street Improvement Program be used for repairs on an as needed basis. According to village administration, all but two village roads are paved and the pavement is in reasonably good condition. Drainage does not seem to be an issue; however, many of the sidewalks within the municipality are deteriorating. A portion of the sidewalk on 50th street was

replaced in 2010 and more will be replaced in 2015. Residents have requested older sidewalks in residential areas to be removed and not replaced.

STROME'S INFRASTRUCTURE

- Municipal infrastructure in the village includes the municipal buildings, the public works shop, water treatment plant, lift station, pump house, reservoir and lagoon, roads and sidewalks as well as below ground pipes.
- In 2008, the village commissioned Focus Corporation to provide a baseline of the capacity and state of the village's infrastructure.
- The village maintains six kilometres of water mains, six kilometres of wastewater mains and sixteen kilometres of roads.
- In 2009/10, the village installed water meters and the 2015 budget reflects a move towards full cost recovery.
- In 2015, the village received funding to undertake an updated infrastructure assessment as part of the viability review process. The infrastructure audit will focus on:
 - water distribution system;
 - wastewater (sewer) collection system;
 - municipal buildings;
 - transportation (road) system; and
 - development of a multi-year capital plan.
- The village is a member of the Flagstaff Regional Solid Waste Management Association and as of December 31, 2014 the village had a post closure liability of \$28,199.04 and the village's portion of the association's obligation was \$14,238.60.

IF STROME REMAINED VILLAGE

- No changes are anticipated in the area of municipal buildings, facilities, roads and sidewalks
- Alberta Municipal Affairs has approved a grant for the village to conduct an infrastructure assessment of all of the village's infrastructure systems. The infrastructure assessment's findings will be used to develop long-term capital plans for the village.

IF STROME BECAME A HAMLET

- The county will complete an infrastructure assessment prior to any development, repair, replacement or removal of hamlet infrastructure.
- If critical infrastructure repairs or replacements are required following dissolution, the county may be eligible to apply for grants to pay for these projects.
- Infrastructure priorities will be based on the infrastructure assessment, with the public works department making recommendations to council regarding the highest priorities and available grants.
- Existing hamlet facilities would continue to be utilized and maintained as necessary. Prior to the disposal of any buildings the county would discuss and negotiate the transfer of buildings to community groups.
- Flagstaff County may impose special taxes or local improvement levies on hamlet ratepayers to pay for infrastructure deficits following completion of the infrastructure audit.

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

- Although the results of the 2015 infrastructure audit were not available at the time of this report, the Viability Review Team, with the support of representatives from the Village of Strome and Flagstaff County requested the viability plan be completed using the 2008 report and information provided by village administration.
- The current capacity of the water and wastewater systems is sufficient for the village's needs at this time. Significant upgrades to both systems have occurred since 2008
- If Strome were to remain a village, the infrastructure reserve fund should increase to provide the necessary funds in case of an emergency such as a line break or pump failure. In addition, the village should continue to undertake preventative maintenance of its infrastructure.
- If Strome became a hamlet, Flagstaff County may impose taxes or local improvement levies to pay for critical infrastructure repairs or replacements identified within the infrastructure audit following dissolution.

Service Delivery and Risk Management

SERVICE DELIVERY AND RISK MANAGEMENT	IF STROME REMAINED VILLAGE	
<ul style="list-style-type: none"> • The majority of the administrative and public works services residents receive are provided by Flagstaff County through the Master Services Agreement (Appendix C: Master Services Agreement). • The following services are provided through separate contractual agreements: <ul style="list-style-type: none"> ▪ Waste management services ▪ Bylaw enforcement ▪ Fire and emergency services • The village is a member of the Flagstaff Regional Solid Waste Management Association and as of December 31, 2014 the village had a post closure liability of \$28,199.04 and the village's portion of the association's obligation was \$14,238.60. • Emergency Management is handled by the Flagstaff Regional Services Committee and coordinated through the regional fire chief. • The village has an emergency management plan that is reviewed annually and amended as required. 	<ul style="list-style-type: none"> ▪ No changes are anticipated to the water, wastewater and garbage services, Family and Community Support Services (FCSS) or the village's recreational facilities. ▪ Utility fees will increase to account for the full cost of providing the service and to anticipate future repairs and infrastructure replacement. ▪ Further, the village will need to examine whether offsite levies are necessary to fund future infrastructure projects. ▪ The village would continue to rely on their volunteer fire department. When required, the fire department may call on neighbouring municipalities to respond to fires in the village. ▪ The village would continue the joint fire services agreement with the Flagstaff County 	
	<th data-bbox="870 911 1541 974">IF STROME BECAME A HAMLET</th>	IF STROME BECAME A HAMLET
	<ul style="list-style-type: none"> ▪ Flagstaff County would review how utility services are being provided prior to making any changes. ▪ Land-use planning would be handled by the county and all new developments will have to comply with the county's land-use bylaw. ▪ Flagstaff County would review road maintenance priorities and snowplowing. Service levels and timeliness may be different than those currently experienced by village residents. ▪ Utility fee structure would be reviewed to ensure full cost recovery is achievable. ▪ No changes are expected to the FCSS as these programs are regional in nature. ▪ Flagstaff County would provide fire services to hamlet residents 	

VIABILITY REVIEW TEAM FINDINGS/RECOMMENDATIONS:

As the majority of the municipal services are provided through the Master Services Agreement, it is anticipated that services would continue to be provided. However, the levels at which they are provided may be adjusted.

If Strome were to remain a village or become a hamlet in Flagstaff County consideration should be given to improving the marketing of land for sale and proactively reducing the municipality's exposure to the serviced subdivision(s). Low cost marketing initiatives could include additional information on the website, roadside signage and/or retaining a realtor.

NEXT STEPS

Public Information Session

Municipal Affairs staff and members of the Viability Review Team will host a public information session prior to the vote to provide residents with an opportunity to ask questions about the viability plan options and the vote process. The Public Information Session is scheduled for Monday, September 14, 2015 from 06:00 p.m. to 08:00 p.m. in the Village of Strome.

Public Vote

A public vote will be held in the Village of Strome to see which viability option the community supports. The vote will take place on September 29, 2015 from 10:00 a.m. to 08:00 p.m. at the Strome Seniors' Centre (5120 – 50 Street, Strome, Alberta). Additional information concerning the vote can be found in the attached notice of vote.

Municipal Affairs staff not affiliated with the Strome Viability Review will be appointed as the returning officer and deputy returning officers for the vote. The date of the vote will be determined based on legislated requirements found in the *Local Authorities Election Act*, *Municipal Government Act* and the *Interpretations Act*. The requirements specify that the date of the vote is a minimum of two weeks from the date that public notices of a vote are sent.

Ministerial Directives

The Minister of Municipal Affairs will review the findings of the Village of Strome Viability Team and information contained within the Viability Plan. The Minister may issue directives in the form of a Ministerial Order, which will require village council and/or administration to implement changes to the operations of the Village of Strome so that it may achieve viability.

QUESTIONS

For further information, please contact:

Kai So
Chairperson
Manager, Municipal Sustainability and Information
Alberta Municipal Affairs

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

Email: municipalsustainability@gov.ab.ca

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

APPENDIX A: PERFORMANCE ON KEY MEASURES

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

Municipal Sustainability Strategy - Key Measures			Triggered
KM1	Has your municipality reported an accumulated deficit, net of equity in tangible capital assets, for the past three fiscal (calendar) years?	2013 - \$349,841 2012 - \$317,342 2011 - \$310,678	No
KM2	Does your municipality have less than a 1:1 ratio of current asset to current liabilities?	Ratio = 1.44/1	No
KM3	Has your municipality received a "qualified audit opinion", "denial of opinion" or an "adverse opinion" with respect to your most recent annual financial statements?	Clean audit opinion	No
KM4	Has your municipality reached 80% of its debt or debt service limit?	Debt - 0 % Service - 0 %	No
KM5	Based on the annual audited financial statements, have provincial & federal grants accounted for more than 50% of your municipality's total revenue in each of the past three fiscal (calendar) years?	2013 - 22.29% 2012 - 26.50% 2011 - 37.68%	No
KM6	Has your municipality's non-residential assessment base declined over the past 10 years?	2013 - \$2,016,382 2003 - \$2,287,860	Yes (11.4%)
KM7	Does your municipality have more than 5% of current property tax unpaid for the most recent completed fiscal year?	2013 - 8% Unpaid	Yes
KM8	Has your municipality experienced a decline in population of the municipality over the last 20 years?	2013 - 228 1993 - 274	Yes (16.8%)
KM9	Is the remaining value of the tangible capital assets less than 30% of the original cost?	51% Remaining	No
KM10	Has your municipality missed the legislated May 1 reporting date for the annual audited financial statements in each of the last 2 years?	2013 - April 25, 2013 2012 - April 12, 2012	No

In addition to the key measures, the village council also completed a self-assessment questionnaire comprised of 124 questions covering eight broad subject areas. The questionnaire highlights best practices, identifies key areas of strength and those areas where improvement may be desirable. The self-assessment questionnaire is on the Municipal Affairs website at: <http://municipalaffairs.alberta.ca/1330.cfm>.

APPENDIX B: ANNUAL REVENUES AND EXPENSES

The information below provides an overview of the revenues and expenses of the municipality from 2014-2010. The following information was taken from the municipality's audited financial statements. By calculating an average over the past five years, a rough financial projection is provided on the following page.

Table 1: Operating Revenues and Expenses (2014 – 2010)

Operating Revenues	2014	2013	2012	2011	2010
Net Municipal Taxes	218,628	206,635	201,199	197,081	184,810
Sales and User Fees	141,477	133,917	119,089	92,172	87,003
Government Transfers for Operating	48,756	73,076	80,583	85,831	108,153
Investment Income	3,066	875	511	136	722
Penalties and Costs of Taxes	9,300	8,062	8,726	12,144	10,976
Franchise Agreement	10,620	9,167	9,469	8,603	7,732
Rentals	3,919	4,617	5,266	5,002	7,023
Other	7,007	18,052	13,129	8,694	3,999
Total Revenue	442,773	454,401	437,972	409,663	410,418
Operating Expenses	2014	2013	2012	2011	2010
Legislative	19,175	14,880	19,632	21,642	13,737
Administration	140,248	152,677	144,152	142,062	124,249
Protective Services	22,907	26,451	30,966	20,914	20,547
Transportation Services	128,475	147,672	98,905	102,854	74,766
Water and wastewater	126,519	133,480	156,525	98,974	97,193
Waste management	36,601	35,439	34,618	25,006	23,812
Recreation and Culture	28,985	29,491	68,747	70,320	71,077
Other	4,188	3,731	4,263	5,109	8,226
Adjustment for non-cash expense (amortization)	(116,729)	(110,907)	(107,511)	(106,844)	(104,064)
Total Expenses	390,369	432,914	450,297	380,037	329,543
Surplus (Deficit)	52,404	21,487	(12,325)	29,626	80,875

The following table indicates the operating and capital grants that the Village of Strome has received from 2010-2014. As previously indicated, in 2014, the Village of Strome reported \$517,419 in deferred grant revenue.

Table 2: Operating and Capital Grants (2014 – 2010)

Operating and Capital Grants	2014	2013	2012	2011	2010
Operating	48,756	73,076	80,583	85,831	108,153
Capital	247,390	176,128	78,817	153,553	516,630
Total Grant Revenue	296,146	249,204	159,400	239,384	624,783

Table 3: Capital Property Additions (2014 – 2010)

Capital Property Additions	2014	2013	2012	2011	2010
Capital Property Additions	256,714	177,407	59,828	169,577	528,139

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

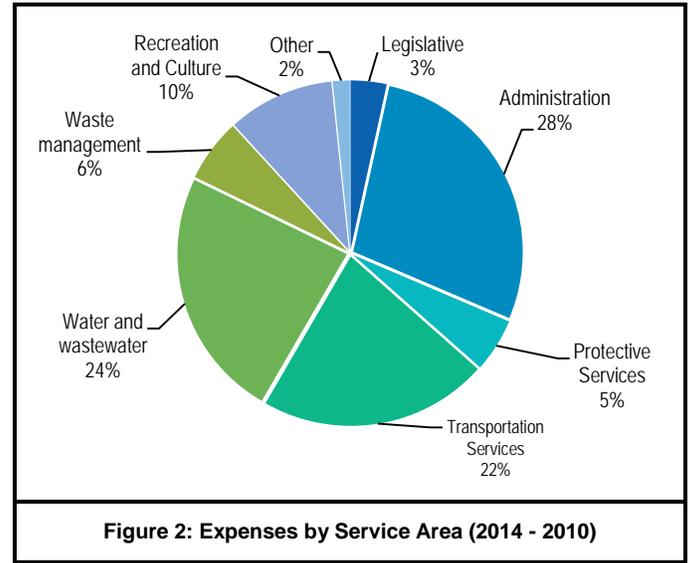
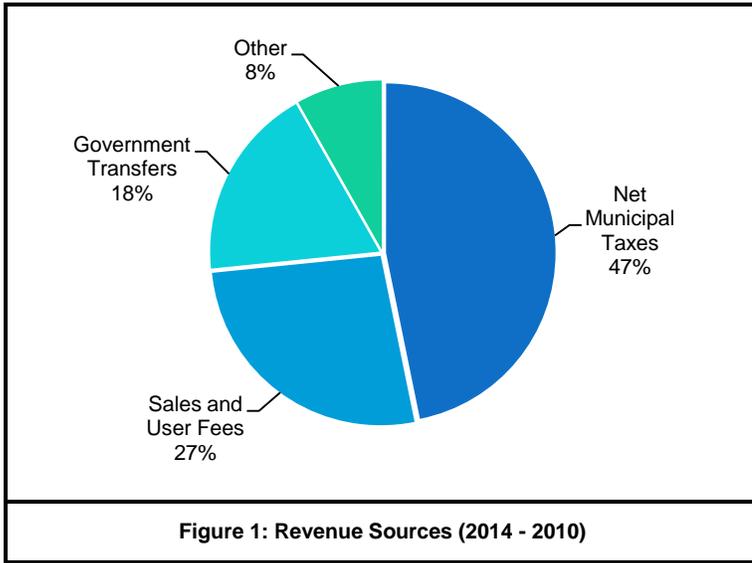


Table 4: Projected Operating Revenues and Expenses (2016 – 2020)[^]

Operating Revenues	2020	2019	2018	2017	2016
Net Municipal Taxes*	250,164	243,513	237,038	230,735	224,600
Sales and User Fees	202,521	188,501	175,451	163,305	152,000
Government Transfers	21,072	24,921	29,474	34,858	41,225
Investment Income	224	378	638	1,077	1,817
Penalties and Costs of Taxes	7,552	7,873	8,208	8,557	8,921
Franchise Agreement	13,517	12,881	12,274	11,696	11,145
Rentals	2,163	2,436	2,743	3,090	3,480
Other**	6,500	6,500	6,500	6,500	6,500
Total Revenue	505,733	489,022	474,344	461,835	451,704
Operating Expenses					
Legislative	22,610	21,877	21,168	20,481	19,817
Administration	155,926	152,656	149,455	146,321	143,252
Protective Services	23,293	23,216	23,138	23,061	22,984
Transportation Services	191,227	176,605	163,101	150,630	139,112
Water and wastewater	147,814	143,286	138,897	134,642	130,517
Waste management	52,806	49,073	45,605	42,381	39,385
Recreation and Culture**	15,000	15,000	15,000	15,000	15,000
Other**	2,500	2,500	2,500	2,500	2,500
Adjustment for non-cash expense (amortization)	(116,729)	(116,729)	(116,729)	(116,729)	(116,729)
Total Expenses	494,447	467,484	442,135	418,287	395,838
Annual Surplus (Deficit)	11,286	21,538	32,209	43,028	55,886

[^] Projected revenues and expenses were prepared for illustrative purposes only. The revenues and expenses use 2014 figures and are adjusted for the five-year average. Should the municipality remain a village, village council will approve annual operating and capital budgets that may be significantly different from those included within this report.

* assumes an increase in municipal taxes of three per cent annually. This figure was calculated by taking an average per cent change in municipal taxes from 2010-2014.

** given the difficulty to project the revenues and expenses within these categories, the supplied figures remain constant

APPENDIX C: MASTER SERVICES AGREEMENT

The cost of the 2014 Master Services Agreement was \$163,556, which included a \$10,000 subsidy from Flagstaff County. The agreement included 2.4 Full-Time Equivalent (FTE) (1.4 Administration and 1.0 Public Works). Strome also budgeted an additional \$43,420 to cover other public works staff costs. The total 2014 budget for all services was \$206,976.

In 2015, the cost of the Master Services agreement was \$262,559, which also included a \$14,550 subsidy from Flagstaff County. The increase was attributed to the consumer price index, additional public works staff of 0.6 FTE, additional employee compensation and overhead costs.

The terms and conditions of these services are outlined within the Master Services Agreement that remains in effect from January 1, 2015 until December 31, 2015. The services that the Village receives from Flagstaff County are as follows:

A. ADMINISTRATIVE SERVICES

An individual or individuals from time to time selected by the CAO shall perform the following services:

1. Execution of documents on behalf of the Village;
2. Provision of Council administrative support for the Village, including:
 - (a) attendance at regular council meetings, and the preparation of meeting agendas, reports and minutes;
 - (b) issue identification and recommendations;
 - (c) oversight of bylaw management; and
 - (d) providing committee support, research and advice;
3. Provision of financial management services for the Village, including:
 - (a) accounting oversight (i.e. payroll, accounts payable/receivables, etc.);
 - (b) budgeting and annual financial planning;
 - (c) oversight of the production of monthly financial statements;
 - (d) utility billing and account control;
 - (e) insurance management and related policy advice; and
 - (f) oversight of tax billing and assessments;
4. Village staff supervision and management, including:
 - (a) general supervision and guidance;
 - (b) salary administration and performance measurement and evaluation;
 - (c) staff training; and
 - (d) oversight of hiring and termination Village personnel;
5. Supervision of basic departmental operations for the Village, including
 - (a) recreation and parks services; and
 - (b) public works services;
6. Oversight of planning and development within the Village, including
 - (a) issuance of development and building permits; and
 - (b) land use bylaw management and administration;

7. Oversight of assessment services for the Village, including:
 - (a) ensuring assessments are conducted in conformance with the *Municipal Government Act*, and the regulations thereunder; and
 - (b) oversight of inspections, sales processing and analysis, annual submissions, responses to ratepayer inquiries, maintenance of the assessment roll and the calculation of assessments; and
8. Miscellaneous:
 - (a) opening the Village's office one day per week;
 - (b) handling public relations regarding Village operations;
 - (c) general issue identification and resolution;
 - (d) maintenance of Village's complaints record, Council notification and responses; and
 - (e) fulfilling duties of a returning officer for Village elections.

B. PUBLIC WORKS SERVICES:

An individual or individuals from time to time selected by the CAO shall perform the following services:

1. be a qualified water/wastewater operator and assist the Village in meeting its licensing requirements under the Environmental Protection and Enhancement Act (Alberta), as amended;
2. oversee operation and maintenance of Village-owned equipment for the purposes of road, street, sidewalk, fire hydrant and park upkeep;
3. oversee the maintenance of Village-owned land and buildings;
4. assist with planning and budgeting as requested by the Village;
5. report to Village Council at Village Council meetings, as requested;
6. assist with the creation, preparation and supervision of contracts for any construction or maintenance work within the Village; and
7. comply with Village and County safety programs and procedures.

APPENDIX D: EXCERPTS FROM THE *MUNICIPAL GOVERNMENT ACT*

Adoption of operating budget

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

1994 cM-26.1 s242

Contents of operating budget

- 243** (1) An operating budget must include the estimated amount of each of the following expenditures and transfers:

- (a) the amount needed to provide for the council's policies and programs;
- (b) the amount needed to pay the debt obligations in respect of borrowings made to acquire, construct, remove or improve capital property;
- (c) the amount needed to meet the requisitions or other amounts that the municipality is required to pay under an enactment;
- (d) if necessary, the amount needed to provide for a depreciation or depletion allowance, or both, for its municipal public utilities as defined in section 28;
- (e) the amount to be transferred to reserves;
- (f) the amount to be transferred to the capital budget;
- (g) the amount needed to recover any deficiency as required under section 244.+

- (2) An operating budget must include the estimated amount of each of the following sources of revenue and transfers:

- (a) property tax;
- (b) business tax;
- (c) business revitalization zone tax;
- (c.1) community revitalization levy;
- (d) special tax;
- (e) well drilling equipment tax;
- (f) local improvement tax;
- (f.1) community aggregate payment levy;
- (g) grants;
- (h) transfers from the municipality's accumulated surplus funds or reserves;
- (i) any other source.

- (3) The estimated revenue and transfers under subsection (2) must be at least sufficient to pay the estimated expenditures and transfers under subsection (1).

- (4) The Minister may make regulations respecting budgets and that define terms used in this section that are not defined in section 241.

RSA 2000 cM-26 s243;2005 c14 s3

Assigning assessment classes to property

- 297** (1) When preparing an assessment of property, the assessor must assign one or more of the following assessment classes to the property:

- (a) class 1 - residential;
- (b) class 2 - non-residential;
- (c) class 3 - farm land;
- (d) class 4 - machinery and equipment.

- (2) A council may by bylaw

- (a) divide class 1 into sub-classes on any basis it considers appropriate, and

- (b) divide class 2 into the following sub-classes:
 - i. vacant non-residential;
 - ii. improved non-residential,
 and if the council does so, the assessor may assign one or more sub-classes to a property.

- (3) If more than one assessment class or sub-class is assigned to a property, the assessor must provide a breakdown of the assessment, showing each assessment class or sub-class assigned and the portion of the assessment attributable to each assessment class or sub-class.

- (4) In this section,
 - (a) “farm land” means land used for farming operations as defined in the regulations;
 - (a.1) “machinery and equipment” does not include
 - i. any thing that falls within the definition of linear property as set out in section 284(1)(k), or
 - ii. any component of a manufacturing or processing facility that is used for the cogeneration of power;

 - (b) “non-residential”, in respect of property, means linear property, components of manufacturing or processing facilities that are used for the cogeneration of power or other property on which industry, commerce or another use takes place or is permitted to take place under a land use bylaw passed by a council, but does not include farm land or land that is used or intended to be used for permanent living accommodation;

 - (c) “residential”, in respect of property, means property that is not classed by the assessor as farm land, machinery and equipment or non-residential.

RSA 2000 cM-26 s297;2002 c19 s6

Special tax bylaw

- 382** (1) Each council may pass a special tax bylaw to raise revenue to pay for a specific service or purpose by imposing one or more of the following special taxes:
- (a) a waterworks tax;
 - (b) a sewer tax;
 - (c) a boulevard tax;
 - (d) a dust treatment tax;
 - (e) a paving tax;
 - (f) a tax to cover the cost of repair and maintenance of roads, boulevards, sewer facilities and water facilities;
 - (g) repealed 2008 cE-6.6 s55;
 - (h) a tax to enable the municipality to provide incentives to health professionals to reside and practice their professions in the municipality;
 - (i) a fire protection area tax;
 - (j) a drainage ditch tax;
 - (k) a tax to provide a supply of water for the residents of a hamlet;
 - (l) a recreational services tax.
- (2) A special tax bylaw must be passed annually.

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

Local improvement tax bylaw

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

1994 cM-26.1 s397