A Report on the Inspection

of

The City of Cold Lake

George B. Cuff & Associates Ltd.

April 2010

April 23rd 2010

The Honourable Hector Goudreau

Minister of Municipal Affairs

227 Legislature Building

Edmonton, Alberta T5K 2B6

Dear Minister Goudreau:

Re: A Report on the Inspection of the City of Cold Lake

We are pleased to provide you with our Report on the Inspection of the City of Cold Lake. Our Report summarizes our findings based on compliance with the terms of reference. The Inspection/Review was conducted over the period of November 13th, 2009-April 23rd, 2010.

Our findings are based on our review of the relevant documentation and the substance of the interviews that we conducted with those individuals who are directly connected to this engagement as well as our review of historical documentation (generally speaking for the period of October 2004 to the present time). We are pleased to report that all parties (particularly the management of the City) to our engagement were very cooperative and responded to our numerous requests for information and clarification.

Our work and subsequent Report focuses on two significant elements: the Inspection under Section 571 of the Municipal Government Act and a "Review of Municipal Sustainability" wherein we examined the expressed desire of the City of Cold Lake to dissolve. Because these two elements are substantially different, we have presented our findings in two sections of this Report.

Because of the complexity of the Report we have not provided an executive summary, or a simple "yes or no" in terms of answers to the questions of current functioning or ongoing sustainability. It is our assessment, however, that the City has many significant challenges which will not be resolved without a thoughtful response and perhaps even a change in position by all parties.

We are, as usual, available to respond to any questions you might have and are thankful for this opportunity to be of assistance.

Yours very truly,

George B. Cuff, FCMC, President

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Section One: Setting the Stage

(Purpose, Methodology, History, Functions)

1.0   The Request

The decision to conduct an independent examination ("Inspection") of the City of Cold Lake was made by the Minister of Municipal Affairs on November 9th 2009. The announcement of the review/inspection was made in a press release from the office of the Minister which stated:

"An inspector has been appointed to review the management, administration, and operations of the City of Cold Lake, following a request from the municipal council to conduct a dissolution study.

> 'The request by council for a dissolution study for a city was very unusual,' said Municipal Affairs Minister Ray Danyluk. 'We respect council's request, but require more information on the state of the city's finances and operations. That is why we are conducting the dissolution study in the form of an inspection.'

"The minister has appointed George Cuff to review the management, administration, and operations of the City of Cold Lake. Cuff, a former president of the Alberta Urban Municipalities Association and well respected municipal advisor, will have the same powers as a commissioner under the *Public Inquiries Act*. When required to do so, Cold Lake's chief administrative officer must produce all books and records of the municipality for examination and inspection.

> 'We believe that an inspection will help gather the best information to enable the council and administration to deal with the challenges that they face,' said Danyluk. 'We have been working with Cold Lake however, provincially mediated negotiations were unsuccessful in bringing about an agreement on a regional service agreement.'"

The Inspection has taken place from early November 2009 until the present date. We have utilized the services of five personnel associated with this firm (George B. Cuff & Associates Ltd.). All have substantial experience in related

work (planning, finance, audit, IT, human resources) and all were guided by this firm's principal officer.

We noted early on that we believed that there were two key aspects to this study: an Inspection carried out in accordance with Section 571 of the Municipal Government Act (MGA) and an assessment of the City's fiscal sustainability based on current revenues and expenditures and anticipated fiscal requirements over the ensuing years.

2.0   The Purpose of the Inspection

The firm of George B. Cuff & Associates Ltd. was appointed on November 9th 2009 through Ministerial Order No. L: 214/09 as an "inspector" under the MGA under Section 571 for the following purposes:

- Conducting an inspection on any matter connected with the management, administration or operation of the City of Cold Lake

- The inspector has the same powers, privileges and immunities as a commissioner under the Public Inquiries Act.

The Act outlines the following relative to an Inspection:

Inspection

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

(a) on the Minister's initiative, or

(b) on the request of the council of the municipality.

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

(3) An inspector

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

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

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

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

The engagement also included the following requirements as described in the Appendix to the contract/agreement entered into with the Province of Alberta:

"Responsibilities of the inspector will include the following, in addition to any other duties identified during the course of the inspection of the City of Cold Lake:

- Undertake an inspection of the City of Cold Lake's current management and reporting practices pursuant to the authority of section 571 of the Municipal Government Act;

- Review the City of Cold Lake's processes and policies, including but not limited to processes and policies in the areas of budgeting, financial forecasting, infrastructure planning, policy formulation, organizational resources, governance and civic management, as well as other documentation as required to evaluate the City's financial management and fiscal situation;

- Interview the Chief Administrative Officer, the Mayor and Council as necessary, regarding current processes and policies;

- Interview any other parties if it is determined to be necessary, including but not limited to City staff and representatives of neighbouring municipalities;

- Provide a weekly progress report to the ministry representative;

- Prepare a written report on the inspection findings, and the inspector's recommendations to the Minister, and submit the written report to the Minister in a timely fashion; and

- Present the report to council."

An Inspection

An Inspection is conducted under the terms of the MGA and as set forth in the Public Inquiries Act. Our contract required us to report on matters which we believed fell within the guidelines of "irregular, improper or improvident conduct by Council, individual Councillors or by municipal staff". The terms irregular, improper and improvident may not be familiar to the reader in this context. Black's Law Dictionary provides the following definitions:

Irregular: Not regular; not according to established law, method, or usage; not conformable to nature, to rules or moral rectitude, or to established principles; not normal, disorderly.

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

Improvident: As used in a statute excluding one found incompetent to execute the duties of administrator by reason of improvidence, means that want of care and foresight in the management of property which would be likely to render the estate and effects of the intestate unsafe, and liable to be lost or diminished in value, in case the administration should be committed to the improvident person.

Those matters that we believe fall into one or all of these categories are included in this Report.

3.0   Our Methodology

Our work requires us to "get to the bottom of things" and assess whether or not the City is functioning in a responsible manner relative to its mandate as the governors and leaders of the municipality. As part of our Inspection, we:

- conducted interviews with all members of Council
- conducted interviews with all management staff of the City
- interviewed the Reeve and CAO of the MD of Bonnyville
- interviewed the Mayor and CAO of the Town of Bonnyville and Village of Glendon
- interviewed former chief administrative officers of the City who we felt might be able to shed additional light on this topic and its history

- interviewed former Mayors of the City (two by telephone; one in person)

- requested documentation from Alberta Municipal Affairs which we felt would be useful to our study

- reviewed documentation from the City and other organizations with an involvement with the City including background reports, audit reports, related studies, minutes and related documents considered to be directly related to this Inspection

- spoke with the MLA for the region

- conducted a comparative analysis of other similar municipalities with regard to a number of indices relating to current viability and sustainability

- sought additional clarification from the City and other parties on issues which are central to the Report

- and reviewed all those matters which we believed to be germane to this Inspection and request.

4.0 Key Historical Events

Historical records and related documentation indicate that the Cold Lake area was settled in the early 1900s with various trading posts being established which were connected to the fur trade of the Hudson Bay Company and the North West Company. A Catholic mission was established and settlers began to arrive from the old world as the western part of Canada gradually opened up. The Village of Cold Lake was first established as the main trading centre. In the early 1950s the Canadian Forces established a weapons range and air force base which housed the largest Canadian jet fighter base.

The former Town of Cold Lake was incorporated as a village in 1952 and as a town in 1954. The community of Grand Centre followed in 1958 (now Cold Lake South). By the time of their incorporation as one entity in 1996 the communities had a combined population of about 8000, with the Medley Base (which had been established in the early 1950s) accounting for an additional 4000 people.

Originally three (3) separate entities, Cold Lake was created on October 1st 1996 by the amalgamation of Medley (Canadian Forces Base 4 Wing), the Town of

Grand Centre and the Town of Cold Lake (Order in Council #416/96). Once amalgamated, Grand Centre is referred to as Cold Lake South while the original Cold Lake is referred to as Cold Lake North. The first Mayor elected in this new municipality was the former Mayor of the then Town of Grand Centre. His successor, as a result of the regularly scheduled municipal elections across Alberta in the fall of 1998 was the former Mayor of the then Town of Cold Lake. The newly-created municipality achieved City status on October 1st 2000 (Order in Council #354/2000).

While the population has appeared to fluctuate over the years, the general trend has seen an increase:

Year	Population	Source
2000	11636	(City information)
2002	11595	(City information)
2006	11991	(UMA Report, 2008)
2007	12860	(City information)
2009	13924	(City information)

On June 9th 2009 the City received a Notice of Motion to request the Government of Alberta to conduct a dissolution study on the City of Cold Lake. Since 1990, 52 communities have completed dissolution studies with 24 being disbanded. That motion of Council was deferred on June 16th 2009 to August 11th 2009 as requested by the Province to allow a proposed mediation study to be conducted. This was not the first time that mediation had been considered by the City. Under the guidance of Alberta Municipal Affairs, ministry staff in November of 2006 undertook to meet with the two municipalities of Cold Lake and the M.D. of Bonnyville to discuss different options available for addressing inter-municipal issues. Options discussed included regional governance, annexation, and amalgamation, cost-sharing and regional commissions.

Following this mediation the M.D. of Bonnyville entered into a *Regional Community Development Memorandum of Understanding* in 2007 with the City of Cold Lake, Town of Bonnyville and the Town of Glendon. We were advised

that the City of Cold Lake feels the agreement, which came to an end in 2009, did not effectively address their concerns.

In order to address the current (and some would say longstanding) issues, the Province offered a mediation process for the region in the summer of 2009. This process was coordinated by two experienced professionals (J. Byron, B. Sutherland) who held meetings with the City, M.D., Town of Bonnyville and Village (Glendon). This process resulted in a Report to the Minister by the consultants on September 30th 2009. That report concluded that the mediation process was encumbered by a variety of elements that resulted in the normal aspects of a mediation not being effectively utilized. Quoting from that report "As well, there were differing interpretations as to whether the ultimate goal was to renegotiate an updated long-term agreement or to find broader opportunities for regional cooperation…In the end, three of the four Municipalities signed an updated agreement while the City saw its future better reflected in a larger regional approach".

Subsequent to the mediation report being submitted, Council held two meetings (with the staff and public) regarding the proposed dissolution on October 19th 2009. The expressed intent was to enable these key audiences to be brought up to date with the concerns of the Council vis-à-vis the City's financial condition. The meeting with the public was reportedly attended by approximately 150 people and those present appeared to be supportive of the City's presentation.

5.0 Functions of a Municipality

The Encyclopaedia Britannica describes a municipality "as a unit of local government…a political subdivision of a state within which a municipal corporation has been established to provide general local government for a specific population concentration in a defined area." In Alberta, a municipality is incorporated under the Municipal Government Act. Section 77 of the M.G.A. defines the types of municipalities as:

   (a) municipal district;

   (b) repealed 1995 c24 s11;

(c) village;

(d) town;

(e) city;

(f) specialized municipality.

5.1 Purpose, Powers and Services

Part 1 of the Act defines the purpose, powers and capacity of municipalities. Section 3 describes the purpose as:

The purposes of a municipality are:

(a) to provide good government,

(b) to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, and

(c) to develop and maintain safe and viable communities.

Its powers are defined as in the Municipal Government Act and other enactments. Along with powers, duties are imposed on the municipality by the MGA and other enactments and those which "…the municipality imposes on itself as a matter of policy". The Act states that "A municipality has natural person powers, except to the extent that they are limited by this or any other enactment."

The kind of services that may be provided by a municipality is best understood when examining Part 2 of the Act which defines the Bylaws that a municipality may pass. This is an extensive list that includes:

(a) the safety, health and welfare of people and the protection of people and property;

(b) people, activities and things in, on or near a public place or place that is open to the public;

(c) nuisances, including unsightly property;

(d) transport and transportation systems;

(e) businesses, business activities and persons engaged in business;

(f) services provided by or on behalf of the municipality;

(g) public utilities;

(h) wild and domestic animals and activities in relation to them;

(i) deal with any development, activity, industry, business or thing in different ways, divide each of them into classes and deal with each class in different ways;

(j) provide for a system of licences, permits or approvals, including any or all of the following:

    i.   establishing fees for licences, permits and approvals, including fees for licences, permits and approvals that may be in the nature of a reasonable tax for the activity authorized or for the purpose of raising revenue;

    ii.   establishing fees for licences, permits and approvals that are higher for persons or businesses who do not reside or maintain a place of business in the municipality;

    iii.   prohibiting any development, activity, industry, business or thing until a licence, permit or approval has been granted;

    iv.   providing that terms and conditions may be imposed on any licence, permit or approval, the nature of the terms and conditions and who may impose them;

    v.   setting out the conditions that must be met before a licence, permit or approval is granted or renewed, the nature of the conditions and who may impose them;

    vi.   providing for the duration of licences, permits and approvals and their suspension or cancellation for failure to comply with a term or condition or the bylaw or for any other reason specified in the bylaw;

(k) establish and specify the fees, rates, fares, tariffs or charges that may be charged for the hire of taxis or limousines;

(l) provide for an appeal, the body that is to decide the appeal and related matters.

5.2   City Defined

Cold Lake is incorporated as a city which is defined in Section "82. A city may be formed for an area in which a majority of the buildings are on parcels of land

smaller than 1850 square metres, and there is a population of 10,000 or more."

One distinction of being a city is described in section 16 of the Act as:

> "16(1) The title to all roads in a municipality, other than a city, is vested in the Crown in right of Alberta.
>
> (2) The title to all roads in a city is vested in the city unless another Act or agreement provides otherwise."

As can be seen a municipality has a number of significant functions which it is obligated to discharge. These services are not always common to all municipalities because some differ quite considerably in terms of location, geographic challenges, demographics, economic opportunities, availability of services from other sources and so on. Some services are generally understood as "essential" (e.g. roadways, potable water supply, sewage treatment, utilities) while others are "quality of life" issues (e.g. libraries, recreation centres, programming for children, economic development).

5.3   Spheres of Authority

How are these accomplished? Most municipalities understand that there are two major spheres of authority or responsibility: policy-setting and decision-making (governance) and putting policies into action (administrative). A careful design of these functions and a willingness by all parties to stick to their respective roles ensures a minimal degree of overlap and maximum effectiveness. While this is readily accepted by most of those involved in local government, adherence to these roles remains a major challenge for a number of elected and appointed officials. Unfortunately, those who refuse to accept role restraints and who do not respect the responsibilities of others cast a significant and largely negative impact on the organization.

The dichotomy of roles is based on the requirements of service more so than the motivation for service. The latter for both elected and appointed officials is generally one of a desire to serve. The requirements for those appointed is that of training and perceived expertise; for elected officials the requirements are an ability to appeal to the populace as someone worthy of support based on prior community involvement or at least visibility and a sense (by the public) that the

candidates leadership abilities and personal style would be useful to the governance and sustainability of the community. These are substantially distinct.

5.4   Basis of Office

Council members are often elected as a result of their commitment to the community and their ability to capture the voting support of their fellow residents in an election. This is based on community connectedness and the promise of action for the future. The administration on the other hand are selected and appointed on the basis of the work that needs to be done and the skills required to do it. Administrators are retained based on their knowledge of applicable processes, expertise in a required profession or a particular competency. While not mutually exclusive these spheres are certainly very distinct and form the basis of a good "marriage" of complementary skills and commitments.

5.5   Sources of Revenue

In order to provide services a municipality is empowered to raise revenue through various means the most significant of which is property taxes. Other forms of taxation include business tax, business revitalization zone tax, community revitalization tax, local improvement tax, well drilling equipment tax, special tax, and Community Aggregate Payment Levy. Also, a municipality may levy fees for services. Additional funds may be raised through borrowing under section 251 of the MGA. The amount that they can borrow is capped by the MGA. The authority of a municipality to tax is also contained in the MGA.

> "Geographic area of bylaws
> 12 A bylaw of a municipality applies only inside its boundaries
> unless
> (a) one municipality agrees with another municipality that a bylaw passed by one municipality has effect inside the boundaries of the other municipality and the council of each municipality passes a bylaw approving the agreement, or
> (b) this or any other enactment says that the bylaw applies outside the boundaries of the municipality.
> 348 Taxes due to a municipality
> (a) are an amount owing to the municipality,
> (b) are recoverable as a debt due to the municipality,

(c) take priority over the claims of every person except the
Crown, and
(d) are a special lien
(i) on land and any improvements to the land, if the tax is a property tax,
a community revitalization levy, a special tax, a local improvement tax or
a community aggregate payment levy, or
(ii) on goods, if the tax is a business tax, a community revitalization levy,
a well drilling equipment tax, a community aggregate payment levy or a
property tax imposed in respect of a designated manufactured home in a
manufactured home community.
353(1) Each council must pass a property tax bylaw annually.
(2) The property tax bylaw authorizes the council to impose a tax in
respect of property in the municipality to raise revenue to be used toward
the payment of
(a) the expenditures and transfers set out in the budget of the
municipality, and
(b) the requisitions.
(3) The tax must not be imposed in respect of property
(a) that is exempt under section 351, 361 or 362, or
(b) that is exempt under section 363 or 364, unless the bylaw passed
under that section makes the property taxable. 1994 cM-26.1"

In summary, while a municipality is referred to in legal terms and its power, duties, and services are provided through the MGA, it is really a community of people that have come together for the purpose of provision of services for the common good of all. The community elects citizens to govern it and to establish an administration for the execution of the services. The community also agrees to finance these services through various means such as taxation.

The tax base is the property of the community. How it expends those funds is clearly up to the municipality. Where there is a logical argument made to share those resources that point should be communicated through regional discussions at both the administrative and political levels. Where there are substantive arguments which auger in favour of a common approach to shared services, then the host municipal Council will likely decide that such a sharing of the costs of services "makes sense" in the common good of the area being served; particularly so when the regional communities recognize that sharing services and facilities negates the need for duplication and waste.

Section Two: The Basics (What We Would Expect to Find)

6.0 Council's Introduction to its Role

6.1   Background

Council's job is both onerous and complex with many aspects and yet could be summarized in a generic fashion in the following broad statements:

➢ To ensure that the municipality provides those services and functions deemed useful or necessary to the population of the community in an efficient and effective manner while maintaining a healthy tax base and providing for a sustainable future; and

➢ To resolve the issues brought before the Council which lay within its jurisdiction and which require the judgment of the elected Council.

In order to accomplish this goal a Council must establish sound policies, make good decisions, approve annual budgets, ensure that primary services are appropriately funded and ensure that good government (public order and public safety) are preserved. Section 201(1) states that a council is responsible for:

(a) developing and evaluating the policies and programs of the municipality;

(b) making sure that the powers, duties and functions of the municipality are appropriately carried out;

(c) carrying out the powers, duties and functions expressly given to it under this or any other enactment.

This section of the MGA is complemented by Section 207 which specifies what the chief administrative officer is responsible for, which states that the CAO:

(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.

Our experience here in Alberta and across Canada underscores the notion that Council is expected to establish the policy framework, the priorities, the

anticipated results and the required resources whereas the chief administrative officer (CAO) and his/her administration provide advice on those requirements as well as the skills/expertise and daily commitment for these to be achieved. In short, Council determines what is to happen (generally based on a combination of the advice of the CAO/senior management and Council's own insights based on their linkages to the community); the CAO provides the advice to Council as well as the leadership, direction and supervision to the staff members assigned to get the tasks done. Where this works well the system works as intended. Despite (or because of) any comments by the public as to how things could have been done better in this instance or that, the public is basically well-served.

Council has the responsibility to lead the community. It is elected every three years to provide guidance to the decisions being made and the direction being set. While it must do so within the parameters set by the legislation (principally the MGA) the Council still has considerable flexibility in what decisions are made and how they are justified. In many instances, the decisions of a Council are not challenged by the voters either because they seem relatively commonplace or because the electorate has not been alerted to the magnitude of a decision and its implications. It may be presumed by Council that its choices and the philosophy on which it stands are sound and are consistent with the dialogue that the Council had with its citizens (both during the run-up to an election and subsequently).

6.2 Principles of Decision-Making

Council's decisions ought to be guided by what the Council believes to be its "principles of decision-making". In other words, when a Council makes choices it does so as an outcome of how it perceives its role; how it views the overall needs of the community it serves; and what it feels the community will support. Its decisions flow from its principles: and while often not formally stated and perhaps not even considered, such principles reflect how a Council sees its relationship to its electorate and how it perceives its role and mandate in serving as the elected representatives.

We have suggested these principles in prior studies as requirements to:

- act in good faith so that the best interests of the whole community are respected

- think independently and refrain from forming allegiances with factions within Council

- work with each other on Council so that the will of the public in electing each other is respected

- support the citizens' choice of Mayor and show respect for the position and a willingness to make the system work well

- as Mayor, respect the other choices that citizens made in electing the Council members and show evidence of a genuine desire to make the new Council function effectively

- take all points of view into account when making decisions; withhold judgment on requested decisions until all of the information has been considered including the ideas and opinions of each member of Council

- work in collaboration with the chief administrative officer and his administration; act respectfully at all times

- refrain from showing added consideration to the views of any individuals in the community regardless of how important they may be perceived to be (either in their own mind or that of others)

- provide leadership as a body to the chief administrative officer and not individually; use the office of the Mayor to maintain liaison between meetings of Council.

7.0 Leadership by Mayor and Councillors

7.1 Background

Based on our experience and on what we find in the legislation, it is apparent that the Mayor and Councillors (the Council) are expected to be the policy leaders of the municipality. Council is required to pass judgment on what makes sense in terms of the "welfare and interests of the municipality as a whole". Council does this by reviewing the matters before it (as contained in the agenda for each meeting) and by determining based on Council's reading of the relevant

reports and on their collective personal experience what action or decision is most suited to that situation. While individual Councillors may differ on any decision, the will of the Council as expressed in its motions is what the administration is expected to follow.

7.1.1 The Mayor

The role of any Mayor is generally recognized by the public, the legislation and Council alike as the elected leader of the Council and, in many ways, the community. Both the legislation and the history of local government in Alberta make it clear that the Mayor has a unique role in presiding at Council meetings as well as acting as the Council's spokesperson to the community as a whole. According to the Act, the Mayor has the responsibilities of all members of Council as well as performing the leadership roles of the Council. In this regard, the Municipal Government Act Section 153 states that Councillors have the following duties:

(a) "to consider the welfare and interests of the municipality as a whole and to bring to Council's attention anything that would promote the welfare or interests of the municipality;

(b) to participate generally in developing and evaluating the policies and programs of the municipality;

(c) to participate in council meetings and council committee meetings and meetings of other bodies to which they are appointed by council;

(d) to obtain information about the operation or administration of the municipality from the chief administrative officer or a person designated by the chief administrative officer

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

(f) to perform any other duty or function imposed on councillors by this or any other enactment or by the council."

Section 154 (1) states that a Mayor has the following responsibilities:

"A chief elected official, in addition to performing the duties of a councillor, must

(a) preside when in attendance at a council meeting unless a bylaw provides that another councillor or other person is to preside, and

(b) perform any other duty imposed on a chief elected official by this or any other enactment or bylaw."

While the role of Mayor places the expectation of leadership on that person, the Mayor is also expected to perform as a member of Council in ensuring that the obligations of Section 153 are discharged. The Mayor is "one of" the Council which requires someone who is adept at working with others as opposed to dictating to others. The Mayor leads the discussion of policy options and of the best strategy to achieve certain outcomes. Preferably, the Mayor does not seek to impose his will on his colleagues as much as solicit their ideas and meld them into an action plan or strategy which has the potential of being successful. There is nothing in the Act that would assure the Mayor that all members of Council are likely to endorse his vision. On the other hand, the fact that the Mayor has been elected as the chief elected official would lead one to believe that the others on Council would be sure to accord the Mayor the respect the office entails and to attempt to work with the Mayor in the pursuit of common goals.

Such leadership requires someone with good ideas, a sound vision, a desire to cooperate with his colleagues and a willingness to be shown a better way. The Mayor's power is informal but it can still be very persuasive. The Mayor may only have one vote on each matter but the office carries with it more prestige and "power" than the vote would signify. Whenever the Mayor speaks, the community presumes that he is uttering the will of the Council. This is both a power and an obligation: a power in that his voice carries more influence than the individual voices of his colleagues; an obligation in that the Mayor must be very careful not to go beyond the parameters of his office and presume that because he speaks, others must fall in line. The Mayor, regardless of how committed to a particular course of action, needs to ensure that all members of Council understand the implications of that course and are willing to endorse the leadership being offered by the Mayor.

It needs to be understood that the ability of the Mayor to be influential on Council is highly dependent on the willingness of the rest of Council to follow the lead of the Mayor. While each Mayor is entitled and indeed expected to hold his/her own views on most issues, the challenge for a Mayor is to be able to rightfully claim that he/she reflects the will of the majority of Council. This requires ongoing work in finding forums for the expression of views and opportunities to work together. The danger facing the Mayor is to boldly step forward in expressing a viewpoint which is not held by other members of Council and then to find out that the view is not substantiated by his/her colleagues. The most logical way to ensure that this does not happen is to develop a policy framework on the key issues such that each member knows what the Council stands for on that topic with sufficient confidence so as to express those views publicly without fear of contradiction.

7.1.2 The Members of Council

While each of the duties of a Councillor and Mayor are important, the first mandated expectation of a Council member is expressed in Section 153 as follows:

> "to consider the welfare and interests of the municipality as a whole and to bring to Council's attention anything that would promote the welfare or interests of the municipality".

This duty of a member of Council needs to be respected for what it says. A member of Council is to be guided by what he/she believes to be in the "interests of the municipality as a whole". A fundamental obligation of anyone involved in governance is to seek the ongoing continuity of the organization being served. It is a matter of understanding what a Council inherited in assuming office and what state that inheritance is to be upon leaving office. The focus ought to be: how can Council build upon the work of its predecessors? How can the state of the City be improved such that the community's continuity (i.e. its ability to sustain itself) is better at the end of three years than at its inception?

In seeking to address this mandate a Council works diligently in building up its governance capabilities and capacity while seeking to encourage its administration

to do the same. The other legislated provisions contained in Section 153 (developing and evaluating policies and programs; participating in the decision-making processes; seeking the advice of the CAO) would seem to support this mandate of promoting the welfare of the community.

The onus of providing effective leadership is certainly not solely to be assumed by the Mayor. All members of Council are expected to be similarly guided by these provisions in the MGA. Decisions are to be rendered based on the perspective of "what constitutes the public will?" Councillors are expected to challenge the Mayor's views on the issues as much as they might challenge those of other members of Council. Further, where there is some question as to whether or not a substantial/significant policy stance or another would be endorsed by the public, it might be expected that members of Council would challenge such an assertion.

One member of Council who represented the area of 4 Wing (Air Force Base) was posted away after being elected to the Cold Lake Council. His resignation was effective May 19th 2009 as per Section 161(3) of the MGA. The MGA states in Section 162(2) that Council must hold a by-election to fill the vacancy unless the Council consists of six or more Councillors and the vacancy occurs in the 18 months before a general election and there is only one vacancy. A motion was made on May 26, 2009 to conduct a by-election however the motion was defeated on split vote. The debate of Council included the issue of training a new Councillor less than 18 month prior to the next election and the cost was estimated at $8,000. The decision not to re-fill the vacant position has left Council without a full complement of citizen representatives during a time of considerable uncertainty. The loss of a helpful voice in Council's discussions could not have been helpful and the decision to not replace, while legal, may not have been in the best long term interests of good government. Council is less than intended when one voice is removed. That person might have thought differently; may have suggested some new alternative; or may have been a strong ally of the current City position.

8.0 Role and Performance of Senior Management

8.1 Background: Roles of Senior Management

The capacity of any Council to provide good leadership to the citizens of any community is impacted significantly by the capabilities exhibited by its administration. While we place considerable focus and importance on the role of the CAO, we realize that the CAO's perceived capabilities and confidence are a direct reflection of the sum of the administration reporting to the CAO. That is, while the accountability for results rests in the office of the CAO, his/her ability to deliver Council's direction to the staff and the staff's messages to Council lies in the composite expertise and management styles of the senior management team.

8.1.1 Impacts of Senior Management

The work of senior management impacts:

- Council's understanding of the background to the issues
- the confidence of the Council in handling any complaints from the public
- the confidence of the non-management staff in the decisions being made by Council
- the morale of the organization
- the ethical compass of the organization
- the fairness of decisions
- the ongoing development of professional skills
- the pursuit of funding for special projects
- the professional management of fiscal, physical and human resources.

We have consistently argued that a quality organization depends upon the presence of a governing body which understands its mandate and adheres to processes and practices which enable good government and the presence of an administration which is expected to be apolitical and highly professional. The advice of the latter is often accepted because the issues are dealt with dispassionately, without bias and grounded in solid administrative sense. This requires that the administration is respected for its professionalism and its

capacity to think of the long term needs of the City from its administrative perspective.

8.1.2 Apolitical Body

It also needs to be made clear that the role of the administration is not to support the preferences or bias of individual members of Council, regardless of how involved the latter become through committees or via attendance at the offices of various departments. Management is to serve the Council as a whole with information being provided to all members of Council concurrently. Questions or requests from individual members of Council are to be referred to the CAO or department head to ensure that the question(s) is appropriate and that the response goes out under the name of the department head or CAO. The response is intended to reflect what management as a body, as represented by the CAO, believes to be the best course of action on any issue.

8.1.3 Advice and Action

Management's role is, when boiled down to the basics, essentially two-fold: provide advice to Council on the best course of action on policy issues; and secondly, carry out the decisions of Council in a prompt, efficient and effective manner. Management does not just perform the latter role: rather, the provision of advice to the Council on priorities, policies, services and programs is at least as important (as the role of carrying out the decisions) as this advice influences to a considerable degree what Council ultimately determines to be in the best interests of all of the citizens.

Confidence in the advice of the CAO and his senior team is critical to the effective functioning of this system. Where that is present, Council places considerable stock in what they receive as advice and are often likely to act in accordance with the advice of their CAO. Where there is any degree of hesitation in terms of how well the administration understood or researched the issue(s) then Council is also likely to be hesitant in proceeding on the course of action recommended by their staff advisors.

8.1.4 A Profile of Solid Administration

It is our view that the administration could be presumed to be working reasonably well from an administrative supportive perspective if:

- the administration treats all members of Council with due respect for their positions

- the administration deals with all members equally and does not see the need to take this one or that one into their confidence

- the administration is cautioned against speaking ill of any member either publicly or in City facilities

- information is provided to all members on a concurrent basis

- information is not slanted towards the philosophy/ideology of any particular member or faction on Council

- information is comprehensive and straight-forward recognizing that members of Council are not expected to be local government experts (as that is the role of an informed administration)

- decisions of Council are implemented quickly and according to the context of the Council policy or resolution.

While members of the administration are encouraged to view Councillors as colleagues in the same enterprise as opposed to friends, there is little doubt that some members of both do become quite close or at least develop a measure of trust and respect for one another. Unfortunately, there are problems experienced on both sides of the table whenever these relationships become so intertwined as to role clarity. It is extremely difficult for instance, if a member of Council or even the Mayor is so linked to the CAO, to a department head, or to the union that any objective assessment of performance or of the issues is likely to be biased.

8.2   Senior Management Practices

What should a senior management team be expected to reflect? What practices could one suggest as central to effective municipal management? Without presuming to have written the book on this topic, our experience suggests that a

review of any municipal organization ought to focus on the following aspects of good management:

8.2.1 Public Responsiveness

The public generally expect their civic services to be user friendly, and designed in such a way to make visits to City Hall as stress-free as possible. They are not expert in how the City is structured but do know that their concerns and ideas should be welcomed by the administration. The senior management need to be aware that the public is the client and that its expectations of quality service should be forefront for any management team.

8.2.2 Strategic Framework

Senior management has a responsibility to assist Council in determining the corporate vision for the City and the annual and long term priorities. As well, management has a direct role in developing clearly stated administrative objectives for service retention or expansion and cost implications; updating Council on current capital projects and proposed new projects; advising Council on budget impacts; and ensuring that key tasks and work projects are prioritized, delegated and discharged.

The CAO is expected to develop a process whereby the administration is effectively engaged in assisting Council in the development of its priorities and in establishing a framework for administrative priorities as well. Such a process, preferably facilitated independently, should be used in guiding the development of the business plan, the annual budget and in establishing performance targets. Further, this strategic planning should result in a reassessment of the services being offered and the cost of those services.

Under the guidance of the CAO, the senior staff and their subordinates should meet frequently and consider the organization's priorities and of each department. This suggests a critical examination of these questions:

- Is this service still of value to the residents?
- How could it be credibly evaluated? What criteria would we use?
- If the service is needed, how best could it be provided i.e. by municipal staff, by a private entrepreneur, by a combination thereof?

- What objectives are we trying to meet this year?

8.2.3 Direction and Supervision

While sometimes overlooked in the busyness associated with being a department head or supervisor, senior staff has an obligation to provide effective direction and supervision such that employees understand their roles and carry them out effectively. This requires managers to identify those tasks that need to be done and completed in a timely manner; to ensure that all positions are clearly described and positioned on the organization structure; to supervise the day-to-day activities of each department, staff position; and to encourage employees to follow safety procedures and to be courteous to any members of the public with whom they have contact.

8.2.4 Ensure Adequate Staffing

Part of the task of the CAO and senior management is to ensure that the organization is appropriately staffed to meet the objectives and needs of Council. One of the mandates of a CAO is to assess, on an ongoing basis, current resources and determine whether or not the community is receiving value for money. Given the significant impact that employees have on the costs of any organization the Council needs to be aware of any change to the number of full-time employees and the incremental costs involved.

While there is merit in ensuring that supervisory employees only oversee the number of staff that they can reasonably manage, this factor is but one of many in determining whether or not added supervisory levels or staffing are required. A part of being an efficient administrative organization is the development of an internal mindset that plans any change very carefully with an eye on maximizing the use of resources and minimizes the costs to the taxpayers. Such a philosophy ensures that employees at each level are encouraged to challenge any planned organizational changes based on any proposed cost increases that may or may not be justifiable.

8.2.5 Assessment and Training

Part of the mandate of a CAO is to ensure that the Council and community are receiving value for money from their staff. We do not know how this can

possibly be done without a formalized approach to performance evaluations. Such a process needs to be interactive such that all staff members have the opportunity to receive feedback and provide their input on their own performance.

Senior management is also required to assess the training and development needs of their direct reports and make adequate provision in budgets for training dollars to support the planned development of staff into more senior positions.

8.2.6 Orientation of Staff

If Council and the CAO want to ensure that those working for the City are as effective in their roles as possible, the senior management must have in place a comprehensive process of ensuring that all staff members are given a full-scale orientation to the organization and to their roles. The CAO should develop an in-house orientation process which ensures that any new staff members are properly and thoroughly introduced to the organization. This should include a review of:

- legislated purposes of a municipality
- present key issues facing the City
- organization structure
- role of Council and its members
- role of the CAO
- roles of each department
- key personnel policies
- introductions to staff
- overview of the particular job
- review of any other salient factors.

8.2.7 Work Standards

In order for staff to be reasonably evaluated, management must be able to articulate the key performance factors, the expected results and possibly the deadlines associated with their work. This, then, forms the basis of an evaluation.   Staff members, including management, need to know the

performance norms of the organization and the standard expected of their work. These standards should be established for the organization as a whole and for each organizational unit.

8.2.8 Managing the Policy Framework

Senior management is expected to maintain an awareness of current policy issues and recommend changes as needed. As well, management through the CAO should see as one of its related objectives, the need to identify with Council upcoming policy issues and draft statements of new policy.

Where staff is involved in developing policies, they are more likely to both understand them and to recognize the importance of adhering to them.

8.2.9 Ensuring Communication

Employees depend upon their senior managers to ensure that all staff has access to information impacting their work responsibilities. This requires that management hold focused, useful and regular meetings with all staff to ensure that they are apprised of any organizational issues.

All staff members ought to be aware of Council decisions and the issues considered to be significant by management. Greater attention is needed by department heads with regard to the value of them meeting with their own staff to discuss issues going forward to Council and then the decisions made by Council. At least monthly department meetings are required for an appropriate degree of flow of information to develop.

A part of the task is for the administration, led by its senior management team, to ensure that it has a communications strategy and policies that support the provision of information to the public and that enable the public to gain a feel for what new initiatives or policies are likely to be approved (or have been approved) by Council.

8.2.10 Senior Staff Meetings

We believe that senior staff should meet on a bi-weekly or weekly basis to discuss issues which are being readied for Council consideration. This should be done under the chairmanship of the CAO. He and other department heads should be expected to contribute issues for the agenda of such meetings.

8.2.11 Senior Staff Modelling

Whether management recognizes it or not, they are looked to for guidance as to appropriate behaviour in the workplace. We find support staff often identify with a particular manager as a mentor - and try to pattern their behaviour after such a person. This requires that senior staff:

- be ethical in all of their dealings

- use public resources carefully given their stewardship position

- communicate issues and concerns fully and promptly to staff so that they find out such things from their supervisor and not the weekly paper

- refrain from any sexual innuendo or inappropriate contact

- refrain from the consumption of alcohol on public premises

- treat their employees with respect

- treat their employer with respect.

8.2.12 Departmental Integration

As we have stated previously, an effective organization is premised on the degree of synergy between the component parts and the desire of the leadership to work in a strong, inter-related collegial fashion. Municipal administrations are increasingly seeing the importance of creating work teams that transcend departmental structures and that are created as recognition that many issues are not rigid nor owned by only one segment of the organization. Most issues are multi-faceted in nature. They may easily involve several departments or sections of a department. The breadth of such issues might require the input of police, fire and transportation officials or recreation, culture and IT staff, or business planning expertise along with human resources and administrative support.

A CAO must ensure that all of the departments are working in a collegial fashion so as to serve the needs of the City rather than the perceived needs of departmental employees. Support departments like Finance, IT and Human Resources need to work with the operating functions (Infrastructure, Community Services) rather than assuming a lead role. Organizations that want to be effective will ensure that this relationship is understood and that "support"

functions are there to help other managers make informed decisions accessing the best tools available.

8.2.13 Employee Morale

Organizations do not function very well if those employed are not working relatively harmoniously with those who manage their functions. Members of administration respond to their leaders if they perceive those in authority to be supported by the level above them (and so on). Leadership and the moral authority to act do not arise simply because of position. There must be evidence of organizational commitment, loyalty, ethical foundation and the ability to move the agenda forward in order for those within the organization to feel that their support is justified.

It is not that important (albeit preferred) whether or not employees "like" their boss. It is still possible for a manager to be effective as long as the employees respect the person in command. While having a good relationship to the person on charge is useful to overall morale, respect for the integrity of the individual is far more important.

8.2.14 Controls (Checks and Balances)

An often overlooked aspect of good management is the requirement of senior staff members to ensure that the system has the appropriate checks and balances needed for the particular system. Included in this expectation is the importance of management meeting with the external auditor to discuss his/her perceptions on the need for ongoing improvements to fiscal controls; and to ensure that independent audits are performed on key City functions/processes e.g. expense accounts. Follow-up on any recommendations in the annual management letter is an essential component of a sound system of checks and balances.

8.3 Background: Roles of the Chief Administrative Officer

Principally sections 207 and 208 of the MGA guide the role of the CAO. Section 207 describes the role as follows:

> "s. 207   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.

s. 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;

(b)   the names of the councillors present at council meetings are recorded;

(c)   the minutes of each council meeting are given to council for adoption at a subsequent council meeting;

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

(e)   the Minister is sent a list of the councillors and any other information the Minister requires within 5 days after the term of the councillors begins;

(f)   the corporate seal, if any, is kept in the custody of the chief administrative officer;

(g)   the revenues of the municipality are collected and controlled and receipts are issued in the manner directed by council;

(h)   all money belonging to or held by the municipality is deposited in a bank, credit union, loan corporation, treasury branch or trust corporation designated by council;

(i)   the accounts for authorized expenditures referred to in section 248 are paid;

(j)   accurate records and accounts are kept of the financial affairs of the municipality, including the things on which a municipality's debt limit is based and the things included in the definition of debt for that municipality;

(k)   the actual revenues and expenditures of the municipality compared with the estimates in the operating or capital budget approved by council are reported to council as often as council directs;

(l)   money invested by the municipality is invested in accordance with section 250;

(m)   assessments, assessment rolls and tax rolls for the purposes of Parts 9 and 10 are prepared;

(n)   public auctions held to recover taxes are carried out in accordance with Part 10;

(o)   the council is advised in writing of its legislative responsibilities under this Act.

(2) Subsection (1)(a) to (d) and (o) apply to the chief administrative officer in respect of council committees that are carrying out powers, duties or functions delegated to them by the council."

The role of the CAO must also be established by bylaw (see Section 205.1).

The Municipal Government Act (Section 205.1) requires that "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 duties under Section 207."

The CAO's work is multi-faceted and includes, as is referenced above, the responsibility of all aspects of the administration: the duty of advising the Mayor and members of Council; ensuring a focus on quality customer service; supporting and coaching team members; ensuring sound policies are developed; establishing supporting procedures; participating as a member of the senior management team; supporting effective administration; and working collegially with the Mayor.

As we view it, a CAO's ability to carry out these roles depends in large measure on his/her ability to build relationships with those in the organization (particularly at the senior level) and to develop a strong relationship to Council. This is generally a function of his/her ability to advise Council regularly and

comprehensively such that the latter is able to develop a high degree of confidence in his/her ability to carry out the tasks involved.

This confidence is an elusive factor and one that dominates the life of each and every CAO across Canada. Indeed, every chief officer that we have ever worked with has commented on the absolute necessity of building a high level of confidence with the Council in order to make the system work as intended.

There are various reasons why we place such a strong emphasis on relationship and confidence building. First, the decisions of the governing body are often predicated on their confidence in the advice provided by their administration. Where there is a substantial degree of confidence, it may be presumed that the Council will accept the advice and provide their approval by way of resolution, policy or by by-law. This is not to say that there will not be suggestions for change or amendment or questions relative to options that have been presented. There is not, however, any likelihood of hand-wringing over the "what ifs" after the meeting, given that Council feels confident that it has received all of the salient and available information and thus its decisions, regardless of their popularity, are likely sustainable.

Secondly, the decisions being made by a Council on the advice of its CAO are assumed to be relatively "high level" and of substantive impact on the delivery of local government services. As a result, it is imperative that the advice of the CAO is presented in complete confidence. Both Council and the CAO will recognize that a perception that decisions have been mishandled or with less than complete objectivity and professionalism, may negatively impact the City. Such decisions may become the matter of lawsuits if not carefully managed and may cost the City financially and may negatively impact the City's reputation if it is found that the City acted without taking all the steps that would be considered by peers in similar circumstances as "reasonable, logical".

Thirdly, the role and performance of the CAO impacts the perception that a Council can have of its complete administration and particularly those at the senior management level. If the Council has confidence in the ability of its CAO to make quality decisions, this transfers as well to his/her ability to recruit top

quality people for senior level positions as well as being able to make prudent decisions relative to their dismissal.

Many jurisdictions across Canada recognize the value of considering Council as a "one employee" organization. This model requires the advice to Council being vetted, approved and signed off by the CAO and any direction to the administration either flowing through the CAO or being subject to the approval of the CAO.

Another significant role played by the CAO is that of the administrative team leader responsible for organizing and building the skills and abilities necessary to discharge the functions of a City. According to the position description, he/she is also responsible for ensuring that there is a strong focus on quality customer service using a team approach. This requires training and coaching senior staff in what the City regards as "quality service". Further, the leadership must not only encourage all members of the administration to pursue service excellence, the CAO and his/her team must "walk the talk" such that those following can model their performance and attitude in terms of what they see on a daily basis in the lives and management styles of the CAO and his/her subordinates.

 A part of this responsibility is to build into the direct reports and through them to the rest of the administration, the type of successes that are possible through collaborative efforts. This is never accomplished at once or through an individual effort but over the course of time and through the combined efforts of all senior team members.

The CAO also has a delicate balance to maintain in terms of his/her leadership "at the table". He/she needs to be seen as "in charge" without using the powers attached to the role in such a way as to intimidate his/her colleagues. His role as meeting chair is to guide discussions, solicit solutions to issues, encourage respect for the Council, and plan administrative response to the Council's leadership (as expressed through the budget and strategic plan). If the message is one of empowerment and support for a collegial approach, then unilateral decisions should be minimal.

Council also needs to have confidence that its decisions are going to be carried out by the administration immediately (i.e. as soon as realistically possible) after the Council meeting. Thus, regardless of the advice of the CAO and administration being deemed acceptable or not, the decision of Council is that which defines the resulting action. The CAO is responsible for ensuring that the decisions of Council are implemented as quickly as possible after the motion approving such action.

9.0 Organizational Structure

9.1 Background

In its simplest form, an organizational structure is a tool of the management to ensure that the organization has sufficient resources to get the job done and placed in such a way as to maximize their effectiveness and efficiency. The structure ensures a degree of order as it carries the implication that a chain of command is in effect and that employees are expected to be guided by what it conveys. The structure guides position descriptions in that it identifies who an employee is to report to and receive direction from.

9.1.1 Structural Purposes and Values

The structure of any organization is an important element in ensuring that the human resources required to get the job done are appropriately placed in the structure; and that the span of control of any individual supervisor or manager is not negatively impacted by having too many staff members reporting to a single supervisor. Organization structure influences a number of factors in the life of an organization, many of which may not be readily apparent to those who are not intimate with how the organization functions. Structure sends messages relative to reporting responsibilities, importance of the position, responsibility for the work of others, compensation level, access to key decision-makers, perceived prestige, collaboration with complementary functions, and so on.

Organization structures also serve to position staff members in such a way so as to ensure that the necessary decisions are made in a timely fashion while utilizing the skills, expertise and experience of those most related to that part

of the business. The structure is also reflective of what resources are needed to get the job done and the organization's sense, in many ways, of the business that it is in.

The structure must serve to:

- ensure that those charged with making decisions have access to those with the most reliable information
- reflect the breadth of the services delivered so as to ensure that each of the essential elements are represented by a senior manager (i.e. someone at the decision-making table)
- enable those who have relevant expertise and key pieces of information access to decision-makers
- ensure that the subordinate staff are able to access the leadership necessary to make quick and informed decisions.

If the administration is to be viewed as integrated and collaborative, there needs to be evidence that its departments are diligently working towards solutions to issues from an integrated standpoint. Further, its response should be indicative of an organization that works together in a collegial fashion. Administrative structures need to be designed such that the work of the City is the primary focus and not the mandate of specific organizational functions. The bulk of most municipal costs lie in the compensation paid to its employees. Any effort to make the organization more streamlined and efficient is obviously desirable from a cost-containment perspective.

Structures are often more important to an internal audience than to the external one. As long as those contacting the system can get access to desired services in a prompt and inexpensive manner, the fact that Charles reports to Edith is of little consequence.

Internally, however, is a much different story. Here every decision affecting structural change is watched to see if there is any advantage or disadvantage personally in terms of prestige, access and future promotional prospects. The structure is often one of the key impacts relative to how decisions are made and

who has the necessary access to the final decision-makers to influence the outcome of important projects and proposals.

Because structure also carries with it a substantial influence on cost (i.e. salaries), the governing body is also concerned and often wants or demands a say in such changes. Regardless of protests to the contrary, adjustments to a structure often impacts the salary expectations of those involved.

While organization structures are often overlooked as a management tool and as a check on the use of the City's resources we believe that the structure is one of the fundamentals of good management and effective organizations.

10.0 Council's Governance Processes

10.1 Background

Governance refers to the processes utilized to make decisions. Such processes are integral to the acceptability of decisions and the maximizing of those decisions to the good of the organization. In the context of a municipality, governance processes can be interpreted as narrowly as a Council meeting or as broadly as task forces, standing committees, special committees, Council roundtables, external boards and committees and may even include administrative committees.

The decisions of a Council are to be resolved at meetings of Council, unless expressly delegated by Council by bylaw and only then when so permitted by the Act. Such meetings according to the MGA are to be properly advertised and are to follow the procedures established by Council in its Procedural Bylaw.

Every municipal Council in Canada is expected to provide leadership to the affairs of the community. Each has an obligation through legislation to make a number of key decisions impacting the community's well being and to provide oversight to the implementation of Council policies by the administration.

10.2 Model of Governance

The model of governance chosen by the City will impact how Council discharges its responsibilities. That is, the way decisions are made and how they are

communicated is a reflection of the process utilized by Council in making those decisions.

Council meetings generally reflect the final stage in a Council review of a matter. Normally, a municipality will establish a series of decision-making processes that enable the members of Council to fully grasp the issues under review, their policy and budget consequences and their potential impact on the public. The Council meeting is simply the forum wherein the decision is finally considered and either approved or denied (or, from time to time, referred back to the administration for additional research on some outstanding question(s)).

In many municipalities, though not all, the best opportunity for debate and discussion occurs at the committee level. Council members (and/or members of the public) may be appointed to serve on various committees that are assigned a particular mandate that Council feels will best enable it to receive the additional judgment and thoughtful consideration of its members.

Committees often represent the best and the worst of local government decision processes. That is, depending upon the Council's understanding of the mandate of a committee, and its terms of reference, its members may feel that they have power over all members of Council and that whatever they determine will unlikely be open to challenge from other members of Council. A comfortable "quid pro quo" develops such that the members of one committee are deferred to on matters within their mandate in exchange for the same respect from members of other committees.

This is not what is intended by the legislation nor is it in the best interests of the citizens. Rather, the intent of the committee should be to ensure that Council receives the absolute best advice the committee can discern based on ite terms of reference and the advice and reports to which it has access. Council needs to be making decisions from a holistic standpoint and not from the notion that any one committee drives the agenda of the Council. Otherwise, the business of Council will not reflect the whole, but, rather, the consensus of a small segment of Council members who may find themselves led to certain conclusions by

either the staff who are attached to serve the committee or by the public who attend such meetings.

As we have written in other similar reports (and which we feel bears repeating here) "effective committee meetings reflect:

- an openness to debate and to other points of view

- respect for those presenting reports, whether they be members of the administration or members of the public

- administrative reports that have been considered by the office of the CAO prior to being circulated to members of the committee for discussion so that the administrative recommendations are subject to a high level of scrutiny and quality control

- adherence to the procedural bylaw and etiquette (for Council committees) that ensures that the meetings are conducted in a manner that is sensitive to the opinions of others and away from any personal attacks or demeaning commentary

- a relaxed approach to the rules of discussion in committee so the members are free to discuss policy options, seek the opinion of others without declaring a political position, and think through what others are saying while resisting the urge to jump into the fray as though the matter was being discussed for the last time".

- Similarly, we have noted that "effective Council meetings reflect:

- adherence to the procedural bylaw and agreed upon 'rules of engagement'

- decorum in voicing matters of dispute

- respect for the right of others to disagree

- respect for the Chair

- important matters dealt with early on

- public input respected and focused

- Council questions to and through the CAO

- administrative comments through the CAO

- less grandstanding and more substantive discussions

- a willingness to refer when it is apparent that there are more questions than answers

- reluctance to refer when the primary aim is to avoid making a decision."

Governance also consists of not only the decision-making processes but also the instruments of decision-making including resolutions, bylaws, policies and plans. It is incumbent on a Council to assess whether or not these instruments are functioning as intended and enabling the Council to make decisions that are sensitive to the needs of the community.

10.3 Policy Development

How a Council approaches policy development will also have a significant impact on how well it will govern. The emphasis is not on setting this policy or that but; rather, the Council's mindset which indicates the importance it places on taking a policy viewpoint to any issues which it believes to be either important or likely to be repetitive. Policies ought to be established on an ongoing basis. That is, we do not expect to find that months go by without any policies being thought of or discussed and then a number of key policies are approved at one meeting. The latter approach is symptomatic of an organization which is continually playing "catch up" and which realizes that it has not been approaching issues on an ongoing basis from a policy perspective.

10.4 Procedural Bylaw

Section 145 of the Municipal Government Act provides a council with the authority to pass bylaws regulating "...the procedure and conduct of council, council committees..." Each Council does so and uses those procedures to ensure that business is conducted in a fair and even-handed manner. Such bylaws speak to when meetings are to be held; the time of meetings; the role of the presiding chair; the order of business; the role of any committees; the conduct of meetings and of council members at such meetings; the recording of minutes and so on. Again, our assessment is grounded in a belief that Council's procedure

bylaw is theirs; that is, such procedures ought to be deemed as workable by the Council and senior management with changes made along the way when flaws are reflected in one aspect of how a Council handles its meetings or another.

10.5 Criteria of an Effective Governance System

We have articulated this before in previous studies but it is useful to re-state it here as it guides our assessment of whether or not this City Council utilizes a system which should produce good governance results. A healthy, useful, results-oriented system "could be said to exist if:

- Council was fully briefed at the outset of any new term as to its powers and expectations
- the respective roles of the Mayor, Councillors, the CAO and senior managers were fully explained at the outset of a new term of office for Council members
- the procedural bylaw was adapted to the preferred governance style of this Council
- Council took the time to establish its goals at the outset of every term
- the terms of reference of special purpose bodies and their relationship to Council was fully explained and understood by all parties
- the advisory role of the CAO and his administration was clear, comprehensive and fully respected
- the accountability of the CAO was outlined at the outset and respected by all parties
- accessibility to the administration was clearly outlined and respected
- Council had a suitable opportunity to reflect on the policy options facing it on key matters and access to the views of the public as they existed at that moment in time
- the key matters of City business consistently faced a rigorous review by the administration before presentation of new or revised policies for Council's consideration".

Section Three: What We Found

11.0 What We Heard

During the course of our Inspection/Review we obviously heard a number of opinions and concerns which help to underline the nature of this issue. We are outlining our summary of that in this section, not as our acceptance of the points raised but as a part of our commitment to faithfully report what we heard from a cross-section of our interviews. Where we felt the point was too readily attributed to one person, we have blended the point with others. For ease of reference and in order to provide some cohesion to these comments we have arranged them under various headings.

1. Role of the Province of Alberta

   a. Province has not been able to break the cycle of complaints regarding lack of access to adequate revenue

   b. Province is not willing to tackle this issue due to concerns of rural municipalities

   c. Province would need to change the legislation and is not willing to do so

   d. Province is hopeful that some process of mediation works

2. Political Leadership

   a. Considerable turnover in 2007 municipal election (four members of Cold Lake Council; five members of the M.D. Council)

   b. Several ran for Cold Lake Council because of concerns relative to the tax burden

   c. Mayor definitely viewed as the leader of this Council; high profile through use of media opportunities

   d. Council convinced that change is absolutely essential now; conditions for the City will not improve until revenue-sharing approved by the Province

   e. General belief that this Council wants to force the hand of the Province by continually turning up the heat; this Inspection process one of many strategies at play; other avenues will be sought if this process does not yield the fruit the Council expects

    f. Council's priorities in terms of capital projects predicated on how that will impact its pressure on the Province and M.D.; would be exercising more caution otherwise

    g. Confidentiality has been an issue; discussions which Council has had in camera have made their way to the ears of those affected; this destroys the confidence of administration in the ability of Council to retain a confidence

3. Administrative Leadership

    a. Administration is gradually becoming stronger; had to endure considerable turnover in its leadership positions; hopeful that those days are behind

    b. Administration still dealing with a backlog of unfinished items (e.g. structure, position descriptions, policy framework, lack of training in policy development, strategic plan issues, rehabilitation of older buildings)

    c. Morale reportedly reduced due to uncertainties about the future and other factors; some sense a greater degree of inflexibility now regarding day-to-day issues like coffee breaks, phone logs, computer usage

    d. Council members should be relying more on senior management from each municipality to come up with reasonable solutions

    e. Administrative leadership too "under the thumb" of strong-willed leaders; they only sing off the same song sheet

    f. Poor regional attitude also reflected among administrative leaders; that is not helping the Councils; the CAO in Cold Lake has no regularly scheduled meetings with his regional counterparts even though relationships are described as fine; ongoing connections at other levels of the organization appear to be occurring

4. Mediation Process

   a. It was flawed from the outset by inviting in the media to what should have been in camera discussions; little prospect of compromise as positioning took centre stage; the participants seemed to be jockeying for support through the media in advance of the discussions

   b. Focus seemed to be on a forced agreement rather than pure mediation; everyone else should have stayed out of it

   c. Focus of the Town of Bonnyville appeared to some to be on how to embarrass the City; not really interested in seeking a solution that would work; an independent source concluded that the City of Cold Lake at least appeared to be open to the process

   d. Positions seemed cast in stone before any discussions begun; this was a huge hurdle to overcome

   e. Some sense that the M.D. agreement was not well-understood; could the City agree and then still press the M.D. for added funding on specific capital projects

   f. Some concluded that only an arbitration process would work; mediation was clearly destined to fail

5. Regional Cooperation

   a. The communities have historically had a level of cooperation and jointly agreed to share in a number of initiatives

   b. Relationships have varied from one Mayor/Reeve to the next but have generally been workable; discussions held privately; prior Mayors spoke of matters being resolved over a coffee; suggested that trust has been built based on quiet diplomacy; believe that approach to the M.D. without relationship building for a period of time would be fruitless and doomed to failure (the suggestion was made that the Council had to know that this would be the result of an aggressive approach early on)

c. The Town of Bonnyville and the City of Cold Lake have generally been supportive of each other's position vis-à-vis their rural neighbour; this seemed to change over the past several years

d. Broader regional governments suggested in the past; Government opposed the notion then; creation of Lac La Biche County suggested as a model which works for them based on added access to regional assessment; revenue from Air Weapons Range flows to LLB County yet it is argued that the vast majority of the employees based largely in Cold Lake and Bonnyville

e. The M.D. recognizes that it has a role to play in providing some financial assistance to its urban neighbours for projects which have some degree of mutual benefit; the model jointly used to support the FCSS program seems to be workable based on input from both the M.D. and the City; representatives from both Councils serve on the Board as do residents

f. M.D. also concerned that cost-sharing and funding seems to flow in one direction (i.e. there is no City support for their residents' use of the Ski Hill); while M.D. wants to be viewed as supportive, the expectation that they are a "cash cow" is unsettling

g. Based on its location primarily the M.D. feels a closer relationship to the Town of Bonnyville

6. Cooperative Planning

a. The City and M.D. have agreed already to support each other through the IDP; why are they not following up on this commitment?

b. The City refuses to discuss its capital priorities with the M.D. but expects the latter to get on board after the City has decided which projects the M.D. should support

c. The Town of Bonnyville has managed to get the M.D. involved in its major recreation project (through a Part 9 company) which has resulted in shared financing

7. Council's Communication

   a. The Mayor tries to keep all of Council informed between meetings; generally relies on e-mails and when he uses this media, he also copies the CAO to ensure that he is not left out of the loop

   b. Council has met together at national/provincial conferences to discuss strategy; most recent that we were made aware of was the 2009 conference in Whistler

   c. Council members do socialize after Council meetings at a local restaurant; CAO is generally in attendance (a practice we believe should be re-visited)

   d. Council's rotation of Deputy Mayor position changed from what was originally scheduled due to the resignation of a member of Council; believed to be a slight to the Councillor who was next in line in the original rotation of Councillors; was Council sending a message to a Councillor who voted against Council's position on the dissolution study

   e. Communications Coordinator taking charge of much of Council's external communication; focus of communications largely external at the moment

8. Internal Management Issues

   a. The City has had a tumultuous time relative to the turnover in the senior management ranks. This has led to some instability and the need to re-build morale.

   b. The City of Cold Lake has received positive feedback with regard to grant applications and compliance from both the federal and provincial levels. This was contrasted with a prior time when various grant conditions were not followed and resulted in non-compliance and the return of funds.

12.0 Leadership of the Mayor and Councillors

12.1 Irregular, Improper, Improvident

The Inspection requires us to investigate as to whether or not the City is functioning within the guidelines established by the MGA and other relevant Provincial legislation.

In particular, the purpose of an inspection is to determine whether or not the City has been acting in such a manner as to contravene the guidelines of "irregular, improper or improvident conduct by Council, individual Councillors or by municipal staff". As we noted earlier in our Report, *Black's Law Dictionary* provides the following definitions:

> "Irregular: Not regular; not according to established law, method, or usage; not conformable to nature, to rules or moral rectitude, or to established principles; not normal, disorderly.
>
> Improper: Not suitable; unfit; not suited to the character, time and place.
>
> Improvident: As used in a statute excluding one found incompetent to execute the duties of administrator by reason of improvidence, means that want of care and foresight in the management of property which would be likely to render the estate and effects of the intestate unsafe, and liable to be lost or diminished in value, in case the administration should be committed to the improvident person."

In effect, we interpret the request as one of determining whether or not the actions, words and deeds of the Council are fitting to the office and do not betray the requirements of Council to act in an honourable manner as they serve the interests of their citizens. The task of providing such judgment is difficult given the absence of specified criteria. However, we rely on the legislation which sets in place the roles and responsibilities of a Council and on certain "generally accepted governance/leadership principles" that one can utilize and

which those serving in elected roles in municipalities would support as reasonable and expected.

What does the legislation say?

"Section 3 states that "The purposes of a municipality are:

(a) to provide good government,

(b) to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, and

(c) to develop and maintain safe and viable communities."

Section 201(1) states that "a council is responsible for:

(a) developing and evaluating the policies and programs of the municipality;

(b) making sure that the powers, duties and functions of the municipality are appropriately carried out;

(c) carrying out the powers, duties and functions expressly given to it under this or any other enactment."

Section 153 states that "Councillors have the following duties:

(a) to consider the welfare and interests of the municipality as a whole and to bring to Council's attention anything that would promote the welfare or interests of the municipality;

(b) to participate generally in developing and evaluating the policies and programs of the municipality;

(c) to participate in council meetings and council committee meetings and meetings of other bodies to which they are appointed by council;

(d) to obtain information about the operation or administration of the municipality from the chief administrative officer or a person designated by the chief administrative officer

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

(f) to perform any other duty or function imposed on councillors by this or any other enactment or by the council."

(g) Section 154 (1) states that a Mayor has the following responsibilities:

(h) "A chief elected official, in addition to performing the duties of a councillor, must

(i) preside when in attendance at a council meeting unless a bylaw provides that another councillor or other person is to preside, and

(j) perform any other duty imposed on a chief elected official by this or any other enactment or bylaw".

12.2   The Principles

The principles related to Council as a policy leadership body (as we understand them) follow and are based on both the legislation (the Municipal Government Act) and the literature:

- **Good government**: are the actions/decisions of the Council such that an impartial reviewer could assert that these are intended to serve the community well in terms of the municipality's ability to provide needed and preferred services in a manner deemed acceptable by the residents?

- **Adherence to decision-making protocols**: does the Council generally adhere to a reasonable process of decision-making? Is the necessary information in its hands prior to a Council meeting? Are all members informed on a concurrent basis?

- **Primacy of the Council Table**: are decisions of Council determined in advance of the actual meetings of Council? Do members of Council get together to pre-determine how certain issues will be decided? Does Council respect the primacy of the Council table?

- **Open meetings**: is the public afforded the opportunity to attend the meetings of Council? Are the meetings properly advertised/scheduled? Is there any known attempt to hide the decision-making processes and background information from the public?

- **Regular and transparent reporting**: are the minutes properly posted in a public manner and do they reflect the decisions of the Council? Has there been any attempt to hide information from the public which the public has a right to see? Are the minutes brought forward to the next regular meeting of Council to be adopted?

- **Apolitical administration**: is there any attempt to guide the report writing of the CAO and his senior staff such that the reports to Council are representative of Council's political views rather than what constitutes "best apolitical advice" based on the collective expertise of the administration?

- **Interests of the whole**: are the interests of the whole community being considered by Council in its decision-making? Does Council put the interests of particular interest groups or neighbourhoods ahead of what it perceives to be the best interests of the whole?

- **Oversight**: does Council respect the responsibility it has to ensure adequate oversight of the actions of its administration? Does it confer sufficiently with its CAO so as to gain a full and unfettered understanding of the issues at hand? Does Council meet with its external auditor and pursue any issues which the auditor has identified as being a questionable practice(s)?

- **Participation**: are all members of Council involved in the business of the Council? Are there deliberate efforts to keep certain Council members away from key decisions?

- **Respect for the Administration**: does Council show respect for its administration? Does it deal with and through the CAO when accessing the administration? Does it deliberately bypass the CAO in seeking to confirm information? Are the reports of the administration perceived as "their best efforts" in informing Council?

- **The Mayor as Spokesman for Council**: does the Mayor respect his role as the official spokesperson for all members of Council? Does the Mayor represent the official (i.e. approved) views of Council or does the Mayor disregard those and portray his own as those of Council even when they are not endorsed?

- **Ethical Government**: does the Council act in a manner which is fitting for a publicly-elected governance body? Does it adhere to the requirements and constraints of the office in terms of avoiding bias, conflicts of interest and pecuniary interests? Are confidential matters kept confidential by all members of Council? Are personal involvements in the City which may impact on one's impartial judgment made known to the full Council before

discussing a matter? Are any members of former Councils or any former administrative personnel given any added consideration or access to confidential discussions or a prior briefing on issues which may impact their business?

- **Good neighbours**: does the Council take seriously its role as a neighbour to the other public sector bodies within its ambit of authority? Does it try to act as a cooperating partner in agreements regarding shared services? Does it seek to be fair in its treatment of those who utilize the City's services, programs and facilities even though they are resident elsewhere?

- **Self Regulating**: Has the Council established rules for its conduct at meetings, identifying conflict of interests, and governance practices? Is Council following these rules and assessing its performance against these rules?

- **Accountability**: Does the Council recognize that it is accountable for the decisions being made by the municipality regardless if they are made by Council or by its administration? Is the Council prepared to be accountable for its decisions to its residents?

12.3   Are These Principles Being Applied in Cold Lake?

We do not expect all Councils to always and concurrently apply these principles. We do expect Councils to show through their actions and decisions that these principles inform what they do.

In the course of our interviews within the organization (the message from others was quite different) Council was characterized as having the best interests of the City in mind. If we set aside the main issue of the City's approach to seeking added revenues from its rural neighbour, Council appears to be focused on doing what it can to provide appropriate leadership to its citizens. Issues are discussed at Council meetings and the intent appears to be one of resolving these in the best interests of the community as a whole.

While Council is not unified on the most significant issue of sustainability and the impact on that of its relationship to the Municipal District, it would be false to say that it was deliberately or predictably split. We did not find any evidence

that this Council is determined to be split or determined to be predictable (i.e. to only vote a certain way on matters of significance). Rather, they appear to genuinely agree on most issues while recognizing that there are issues on which they differ.

There is no evidence of cliques which is not to say that one or two may not socialize more together than others. In the main, most of the Council members did not really know each other prior to serving together on Council and while seeing each other as colleagues it would be a stretch to describe most as close friends. (We note that there are those who appear to have friends within the circle of Council and that while this is not illegal or even particularly unusual, it does require the maturity necessary to separate one's personal discussions from forming allegiances on Council's business).

Council members are reportedly civil in their debates. While there has been a noticeable divide relative to the sustainability issue, this has been more of a recent phenomenon and has not influenced Council's decision-making on other significant issues.

Councillors advise that they have access concurrently to agenda packages and that these are comprehensive and enable the Council to be well-informed on the issues. Our review of a sample of such packages which Council members received for various meeting dates (which we selected) appears to support their assessment. We were advised by all members of Council that all members appear to have done their homework prior to a meeting beginning.

The preparation for Council meetings appears to be adequate. The management utilizes a "Request for Decision" format which provides for a clear outline of the issues. This format is supplemented as necessary with useful background information as attachments (e.g. an engineering report).

The decision-making of Council is centred on the regularly-scheduled Council meetings. We were advised that Council members do discuss issues when they may be together outside of Council including post-Council social times but that there has not been any ongoing attempt by the Mayor or other members of Council to pre-determine the outcome of motions. We therefore conclude that

members are not restricted in their discussions or in terms of how they might vote on the issues.

The agenda package for Council meetings reveals several "Issue Summary Reports" that are submitted to Council for approval by a non-department head. This is inappropriate as each should be signed off by the CAO.

The minutes appear to be a succinct statement of what occurs at the meeting and are, as they should be, generally limited to the resolution and whether or not it is carried. Council does not require that motions be seconded.

We are advised by the CAO and Corporate Secretary that the meetings are properly advertised and that they are open to the public. The meetings are on the City's website and in the newspaper. Meeting minutes are drafted during the Council meeting via online software referred to as "Call-2-Order". All motions and minutes are viewed during the meeting as the meeting takes place. Council and the pubic can view the motion prior to the vote taking place. Draft meeting minutes are available the morning after the Council meeting however these are not published on the internet until the formal adoption of the meeting minutes which occurs at the next available meeting which is generally scheduled on the second and fourth Tuesday of every month (approximately 14 days).

While we have some concerns relative to the ability of the CAO and his team to stay focused on providing the best possible *apolitical* advice to the Council, they advise that they have not been "leaned on" in order to write reports which reflect a certain bias. We do perceive, however, that the CAO feels the unstated pressure to line up with the Mayor's perspective on how best to wrest additional revenue out of the M.D. and that he is very reluctant to state any view which might reflect a contrary view. We would expect, for example, that the CAO would advise Council of the negative impact on service delivery and employee morale (and continuity of employment) by refusing to accept or otherwise negotiate an agreement with the MD which would at least net the City over $1 m in needed revenue. Unlike some municipalities for which we have consulted, we find no evidence that the City of Cold Lake Council has illustrated any form of bias in placing the interests of one part of the community over another. While one could always argue that Council has chosen to support this sports group's

indoor space needs more fully than the other (with apparently equal requirements and urgency) such choices are a normal part of being on any Council. The Council has not, on the other hand, shown favouritism to the business community over the waterfront community or the Lions Club over the Chamber of Commerce.

Council does, however, need to guard against any perception that it favours the concerns of the development community over the expectations of residents. While we address the impact of off-site levies later in this Report, the fact is that lower than expected levies (or not requiring them to be paid at the time of approval of the development agreement) results in less revenue to citizens as a whole and thus the need to make up any shortfall from other sources.

Council provides oversight to the work of the administration through its questions at meetings of Council, through formal CAO (and department head) reports, through committee meetings and by way of informal discussions. There appears to be an open and healthy respect between the CAO and Council (as there is with other members of the senior staff). Council appears to respect the supervisory and accountability role played by the CAO with respect to its other employees and does not undermine that important relationship. There appears to be genuine respect evidenced between the Mayor and CAO. Both spoke highly of the other and stated that they respected the role and challenges of each position. This also appears to be evident to the rest of Council and to members of the senior administration.

Our report on the relationship between Council and the auditor follows in this Report (see Section 15.7).

Again, and based largely on our interviews, all members of Council seem to be involved in the business of Council. There does not seem to be any deliberate effort designed to remove individual Council members from key decisions (at least insofar as they are made at the Council table). It is evident, however, that the one Councillor who opposes Council's strategy with respect to the M.D. is left out of any committee established to pursue those negotiations.

The Mayor is respected as the chief elected official by all members of Council. All seem genuinely appreciative of the hours put into the role by the Mayor and the sacrifice involved in occupying that office. We believe that the Mayor either has or believes he has the support of the Council for his public statements and that he has not deliberately misled his own Council.

We believe that this Council has been diligent in establishing and following the rules of procedure which govern the flow of its meetings. These have been updated during this term of office. We are not aware of Council doing any self-assessment or coaching (peer reviews).

In terms of acting as an ethical body, we find that Council has sought advice from its solicitor with respect to what constitutes conflict of interest, bias and pecuniary interests and that it has been careful *as a whole* with respect to those limits.

While there is a general recognition of what constitutes confidential information there does not appear to be a healthy regard for the fact that such information is to stay at that table. In other words, any issue or matter discussed in confidence by Council should never be disseminated outside the people in attendance at the closed door session of Council. There have been instances wherein such information is alleged to have been leaked to either former members of Council or administration and which can only have come from a very small circle of people who were in the room at that time. Regardless of whether that is intentional or inadvertent Council members need to be reminded by both their administration and by their solicitor that such releases are a matter of potentially harmful consequences to the City and of personal liability.

There is little evidence to support any notion of widespread corruption in the City of Cold Lake. While there are always areas for improvement, we find that the Mayor and Councillors are following reasonable policies and protocols in relation to their decision-making.

As with any smaller community there is always the potential for close connections between those on Council and those who serve in the administration. This City is no different. Caution must always be exercised

relative to any contacts the members of Council have with any members of the administration. Councillors and the Mayor should limit their direct contacts to the CAO and his department heads. They should not be seen to be supporting one staff member against another or to be the advocate (or employment reference) for a relative in regards to their current or future roles. There is no evidence of any harassment by Council members of the employees or any evidence that a member of this Council has directed staff to engage in any unlawful acts.

We asked senior management and members of Council if they were aware of any issue which ought to be drawn to our attention in terms of potential or current lawsuits involving either Councillors or management. The only such issue was that pertaining to a former member of Council relative to issues regarding the landfill operation and maintenance service agreement. This issue is scheduled to go before the courts and will hopefully resolve what has been a longstanding dispute.

It is important that Council and the City administration as a whole are advised of the importance of ethical conduct and what constitutes the basis of fairness as described both in the MGA and as a result of recent court cases. The City should also consider a strict code of conduct relative to the involvements by members of the administration in any enterprises in the City which may have a direct connection to the City by way of contracts or in any development (land or other property) in the City or neighbouring jurisdictions. Further, the City needs to be clear as to who can run for elected municipal office and who is restricted from running due to a conflict with the provisions of the Act. Such information needs to be widely advertised prior to nomination day.

The staff members asserted that they did not receive direction from Councillors and that any communication was through channels. We were also told that if a Councillor stepped out of line in terms of directing staff that it would be dealt with promptly.

We were made aware that a member of Council dated an employee of the City but that relationship has since ended and did not involve a senior member of

staff nor did it give rise (to our knowledge) to any sense of influencing the work of the employee.

We are also aware of an issue involving a member of staff using the police information system (CPIC) to obtain personal information to use in his second job as a process server. The police have investigated and the Officer is no longer employed by the City.

An employee who worked in the Energy Center used the City computer to examine pornographic websites. The person also used it to sign onto chat rooms which were sex based. The computer was in the public area. The City found out about it through a complaint by a fellow staff member. The person is no longer with the City and computers have been removed from the area and will only be replaced once proper security arrangements can be made. These were the only computers outside the security system of the City.

We also heard of at least one allegation regarding misconduct by an employee of the City but were not provided with any corroborating evidence to sustain this allegation.

Except for the instances noted, all staff interviewed felt that the organization was ethical and did not feel that they had been pressured to step outside the rules.

The City does not have a whistle blower policy or practice. Nothing is in writing to help staff determine the most appropriate course of action.

The internal controls were represented as being sound. Major purchases are expected to be in budget. There is limited use of city purchase cards or credit cards. There was no evidence given that suggested that there was any abuse of credit cards. We were advised that people follow accepted practice and when errors are made they tend to be caught and corrected. Again there appears to be an absence of policy.

Looking more specifically at the existence of policies, we were advised that certain polices did not exist and then by others that these same policies did exist though these people could not tell what the policy might say. A number stated that they have not read them. However, at a minimum we should be

concerned that people were not familiar with them. Examples of policies in question include:

- Conflict of interest
- Gift
- Hosting
- Whistle blower
- Computer policies
- Assignment of blackberries.

The issue of whether or not this Council has been a good neighbour is what we would consider as the most significant "Council governance principle" which we find lacking. There is evidence that Cold Lake has historically recognized that it has a prominent role to play in the region. It has entered into service sharing and cost-sharing agreements in the past which have reflected good common sense and an effort to be a full participant in the region along with the other municipalities. The City has not sought to penalize those who utilize its services and facilities as a non-resident and the City is represented on a number of regional bodies which are based on principles of sharing. Given that we address this issue in a much broader context in the next chapter of this Report suffice it to say that we believe that the strategies adopted by Council in order to place the headlights squarely on what Council views as an imbalance in access to regional revenues have also greatly impaired the trust and respect needed for active cooperation by the rest of the region.

12.4 Our Finding

This is not a case wherein we recommend that the Mayor and Councillors need to be removed due to an abuse of their offices. We do not believe that there is any under-handed activity or decisions/actions which we believe meet the test of "improvident, irregular or illegal". We believe, on the other hand, that the Mayor and Councillors are committed to good leadership and to assisting the City to address its future challenges as seen by this Council.

We believe, based on our review of the files made available to us and on the strength of the interviews we have conducted that the City (both Council and

administration) is aware of the legislation and cognizant of their responsibility to function in accordance with the parameters established. We do not find any evidence that this Council has acted in a manner which would be defined by an impartial observer as illegal, improper or improvident.

We find that Council's approach to approaching the M.D. in the early weeks of the new term was wrong-headed in that City Council had yet to establish its own strategic plan; four of its members were new; and the M.D. had five new members. There was little consideration given to the potential of other alternatives in pursuing the agenda of added revenues. The same approach was utilized in the City's approach to Lac La Biche County. Neither resulted in a positive response (which may have been predictable).

13.0 Council's Understanding of Its Role

We find that the orientation process utilized by the City to be adequate to ensure that all Council members understand governance concepts and their role as leaders of the community and of the administrative organization. We believe that the orientation sessions which Council attended served to provide a strong basis for understanding basic governance concepts as well as developing some initial familiarity with the key challenges in Cold Lake. We find that Council members are keen to exercise good leadership to their residents and to fulfill their mandate as community leaders. We believe that all members of Council are involved in the governance process and that their involvement is generally on the same level. We note that members of Council were assigned to serve on the various City ABCs (agencies, boards and commissions) with appointments ranging from 4-9 per Councillor. We were provided with a copy of the bylaws and agreements for each of the ABCs (where such existed). The City does not have a policy with regard to the rotation of appointments to these committees. We note from the record of appointees that the same member may be appointed to the same ABC for consecutive years, which is a practice that Council should review. We also note that the CAO is an appointed member of the Regional Partnership Opportunities Committee which is inappropriate, given that the

other appointees from the City are members of Council (i.e. elected officials). Both elected and appointed officials should not be appointed to the same body. If the CAO is a staff advisor then the record should be corrected.

13.1   Governance Protocols

Council's governance follows generally acceptable protocols: i.e.

- meetings are held on a regular basis

- meetings are generally open to the public (except those portions wherein Council is legitimately entitled to go in camera)

- agenda packages are reviewed by each Councillor in preparation for the meetings

- the CAO is listened to in terms of his advice; the input of department heads is sought where appropriate

- Council meets in committee of the whole between regular meetings.

Council does not appear to understand the benefits of taking a policy approach to the key and/or repetitive issues which it faces. As a result, we found that many decisions are treated as "one offs" and thus with little context or broader connection. This does not promote consistency or a policy mindset that understands how issues are enveloped in an umbrella of other similar issues.

It is our assessment that this Council (Mayor and Councillors) has been diligent in their approach to their duties. They appear to be serious-minded and open to the advice of their CAO and administration.

The Council has been largely together on the significant issues without having worked behind the scenes to craft one message and one vote. Whereas the members have often voted as a body in support of a particular course of action it is also accurate that they have not always been in total agreement.

As we point out later, Council has not been realistic in its approach to setting taxes. While we defer to the wisdom of each Council as to what is needed in terms of additional revenues to meet rising expenditures, approving very minimal tax increases (when reality dictates that more needs to be done in terms of ensuring local viability) is neither responsible nor progressive. For example we saw that there were a number of years of either zero or minimal tax

increases that was followed by years with large tax increases. The wildly fluctuating swings in annual tax levels are due to the lack of a thoughtful plan which recognizes future capital requirements and ongoing increases in operational costs. The fact that Council has established a very low tax increase for the past two years might sound acceptable to the residents but will not if followed by the type of increases witnessed in 2004-05.

This Council has the right to take whatever position it feels is in the best interests of its citizens relative to its negotiations with the M.D. Council has obviously discussed the advantages and disadvantages of their position and have adopted their current stance based on what Council believes to be in the best long term interests of its citizens. Given the significance of such a policy stance, however, we question whether or not the public was given a full briefing on what that position would cost the City in the short term at least.

13.2   Council's Policy Approach

Council's approach to accessing what it feels is a reasonable share of regional revenue does not appear to be appropriately considered. Council has determined that there are gross inequities and the only viable solution is to enter a revenue sharing agreement with the Municipal District of Bonnyville. The City's position is succinctly described in an article in the Edmonton Journal on January 18, 2010, "Should the province decline to introduce a revenue-sharing formula -- an Alberta "taboo," Copeland acknowledges -- Cold Lake council wants the city dissolved altogether and folded into the municipal district." While this matter is governed by the MGA, Council believes that the Province should move to rectify this issue and/or to place the onus on the M.D. to come up with an alternate plan which would resolve the perceived inequities on a long term basis. As a result of this policy position, Council has not pursued its discussions with the M.D. for ongoing cost-sharing which will net the City in excess of $1 million in 2009. While we acknowledge the Council's right to pursue what it believes to be an appropriate long term solution that addresses the revenue issue, we do not believe that creating a logjam in terms of ongoing negotiations will prove to be the right strategy. Indeed, we find that to be ill-considered and damaging to the

fiscal base of the City. Services will either have to be cut; staffing reduced; or other forms of revenue found to address this shortfall.

The MGA outlines the purposes of a municipality and the requirements of a Council. These include the expectation that the Council will provide the leadership necessary for the residents to enjoy what is referred to as "good government" and to engage in "developing and evaluating policies and programs" that benefit the community and "making sure that the powers, duties and functions of the municipality are appropriately carried out". It is our view that these tasks will not be pursued as effectively as they might due to the lack of adequate fiscal resources. As noted, the absence of an agreement with the M.D. for the transfer of funds contributes to the lack of fiscal resources. (This, of course, helps to justify the City's position that it does not have sufficient funds).

The Mayor and Councillors need to differentiate between what they see as a right course of action in the longer term with decisions that serve the better interests of the population in the here and now. This we believe has not been the case. Council has been so focused on forcing the Province and the M.D. to move in a particular direction that it is not putting ongoing issues and resource requirements into a proper perspective. In effect, the Council's strategy is an all or nothing: that is give us revenue sharing or dissolve the City into the M.D. The eight year Regional Community Development Agreement with the MD of Bonnyville which was offered by the M.D. would net the City $1,013,842 in each of the next three years which would then increase to $1,126,491 for the remaining years. While that may not seem nearly as attractive as the type of revenues envisaged by the Mayor and Councillors (with their estimates ranging from $2-5 million per annum) it is certainly more than that received by Cold Lake in each of the past ten years.

The M.D. submitted a draft Regional Community Development Agreement to the mediation process. We understand that this is the document that was ultimately signed by three of the four municipalities. In it the M.D. "recognizes and is committed to the sustainability of its community, its environment and to a high

quality of life within the municipal district." The M.D. then goes on to say that it "…considers the incorporated urban municipalities contained within its boundaries to be a part of its community, its environment and that they contribute to the quality of life in the region." The agreement notes that other inter-municipal agreements will exist and may allow for additional funding. These other agreements include:

a) Family and Community Support Services

b) Libraries

c) Fire

d) Airports

e) Peace Officers; and

f) Any inter-municipal agreements dealing with Commissions, Societies, Part 9 Companies

The agreement allows for the M.D. residents to access urban facilities in the same manner as local residents. Also, the M.D. and the urban municipalities agree to ensure and foster continued goodwill and co-operation on inter-municipal projects and initiatives. There is no reference to capital contribution to any facilities. However, this would be covered by the agreement specific to the facilities as would be the case with respect to the recreational facility in the Town of Bonnyville which is jointly funded (and managed) by the M.D. and the Town.

We understand that the City believes that its current and proposed share of regional revenues is inequitable. We also understand that any resolution to that perceived inequity is a much larger issue than that which will be resolved in the Cold Lake area. The current state of affairs is not region-specific and any change to the current assessment and tax base formula would require Provincial legislative change. *That is not within our mandate.*

13.3 Procedural Bylaw

The City's Procedural Bylaw #308-BD-07 is basically well-written and covers the important issues. We comment only on those matters which we feel should be questioned or changed:

- Section 4.2 (5) We do not believe it to be good practice to allow the chair to make any motions; the chair should be able to voice what he/she sees as a useful motion and seek someone to move it; this allows the chair to maintain

full control of any meeting and not be fixed on getting the result to an issue he/she would like

- Section 4.2 (8) Direction to the administration by Council is to be limited to Council as a whole directing the CAO only

- Section 4.7 (3) The recording of Council minutes should, in a Procedural Bylaw, be clearly designated to the City Clerk (or whoever performs those duties) or his/her designate

- Section 4.16 (4) Similarly, the Clerk should be designated as responsible for causing the minutes to be prepared

- Section 4.17 (1) The Mayor is only entitled to speak with certainty on issues on which the position of Council is known by virtue of policy or resolution (the Mayor does not speak on his own volition).

14.0 Council's Impact on its Administration

14.1 Impact of Council's Style

There is little doubt that the style, decisions and leadership of the Council will have a direct impact on the working conditions and morale of the employees. Where a Council is viewed by staff as sympathetic to their concerns, the staff is often ready to go the extra mile in its contribution to the well-being of the City. Where Council is caught up in its own headlines and self-importance, the administration might react quite the opposite and "hunker down" rather than being optimistic participants.

This is an activist Council. Issues have been pursued with vigour by members of Council and in particular the whole matter of regional revenue sharing. While we applaud a Council who develops a vision and wishes to pursue it, the process in doing so needs to be sensitive to the normal rights and boundaries applicable to elected officials and their appointed administration. Reports ought to be written by the administration to ensure that they reflect the neutrality of motive which is needed if such reports are to be perceived as fair and balanced. Whether the report is the annual budget or a draft Financial Sustainability Action Plan (memo of January 17th 2008), such documents ought to be produced by the

administration hired (in part) for that purpose. Relying on members of Council to author such reports, regardless of how well-intentioned, neither helps the administration to be confident in their capabilities nor does it ensure that such reports are the result of apolitical research.

14.2   Impact on Morale

We were advised by several people that employee morale is considered to be low. We were not made aware of any formal attempt to measure this or to address any underlying issues. The low level of morale was attributed to three factors; these were:

* The union was certified in April 2008 subsequent to two (2) attempts at union certification. The implementation of the collective bargaining agreement has resulted in staff being disappointed that expectations have not been met. There are several grievances being managed by the administration. These grievances appear to have some underlying causes including the fact that management formerly illustrated considerable flexibility in applying workplace rules and policies (which turned into organizational expectations) which now needs to be managed within the framework of the collective bargaining agreement.

* As a result of the talk of dissolving the city, staff members are more uncertain about their job security. This obviously affects morale. The reduced revenue stream as a result of the Council's decision to refuse to enter the next regional cost-sharing agreement with the M.D. has resulted in negative impacts for staff (i.e. fewer dollars available for employees, positions being reduced).

* Management reports that the inspection we are conducting has obviously had a negative impact on the morale of at least some of the administration. Most have not been through such an exercise previously and find the process to be of concern due to the uncertainties it brings.

High staff turnover was pointed out by virtually all interviewees. We noted this when we asked the length of time managers had been with the organization: all but a few were recent arrivals. This has been exacerbated by the high rate of

turnover at the most senior position with five people serving in the role of CAO in a relatively short period of time. Since 2003, the City has had 6 CAO's, 2 of them being interim and 9 senior management changes with 1 interim position. The City had moved to a 3 General Manager model which includes Public Services (services to the community/soft services); Infrastructure Services (service to operational aspects/hard services); and Corporate Services (services to City internal requirements). The City has had significant problems recruiting new staff to this area not only because of the location but because of the issues surrounding Cold Lake. The City expresses that it had to engage Davies Park to recruit for several positions bringing people as far as from Ontario and that it now has a full management complement and are trying to move forward.

14.3 Impact on Service Levels

Managers were concerned with the effect budget cuts had on their ability to maintain service levels expected of them by citizens. Budget cuts arise because there is insufficient revenue. Staff questioned whether utility rates and usage fees such as for the Marina were too low. Though much of the rhetoric presented was to do with getting more money from the M.D. or more money from the base, generally they felt that the City was not economically viable under the current fiscal arrangements. No one spoke about tax increases being needed; nor did they comment that taxes were too low.

14.4 Impact on Broader Agenda

One point raised with respect to the sustainability issue is that it seems to have become the sole focus of Council and management and thus little else was on the agenda. When asked about the strategic plan or business plan we were advised that they were either out of date or not in existence. We were also advised that there was no recent activity has taken place with respect to them. However, on January 22, 2010 via e-mail we were told that a new business plan was under development.

The information and advice presented to Council relative to the most recent attempt to get all of the regional players on one page (i.e. the mediation process) appears to have been deliberately anti-cost sharing. It seems apparent

that the Council led by the Mayor has but one agenda and that is to convince the Province that the current approach to making local government function in the regional context is a flawed model. This philosophy which seems to have been first embraced by the Mayor seems to preclude any rational effort to consider all avenues for gaining access to what the City would view as a fair playing field in terms of revenues transfer. This limits further consideration of an enhanced model for cost-sharing or one based on anything other than revenue-sharing.

14.5   Impact on Capital Assets

We were advised that there is no clear policy with respect to the replacement of capital assets. This is a critical issue as it will drive the agenda for the replacement of such assets, a number of which come with a substantial price tag. This includes the two existing arenas which are reported to be old and allegedly unsafe. One side of the ice surface is actually a wall, which would appear to create an unsafe situation for users. As a result of the decision to close one of the rinks, the question of how to meet the need for ice time by various groups arose. The question is one of: does the city build a new rink (reportedly about $15 million) or arrange to have more consistent access to the two rinks on the base? The rink being left open is apparently past its useful life as well. Other buildings that are old include the two fire stations. Council is said to be behind the idea of building the new rink. The only recent major addition to tangible capital assets was the Energy Centre which is a multi use facility which includes a college campus and high school. It was to include ice rinks, but cost-cutting removed them. At the present time the Centre is losing more money than originally planned.

We did a brief tour of buildings which included the rink that is closing, the Energy Centre, and a fire station. It was evident that the rink and the fire hall were old, although they appeared to be well-maintained in the sense that they are painted and clean. Work was done to address a mould problem at the ice rink. However, this is superficial. We were advised that the rink and fire hall were not sufficient for current needs. For example, apparently fire trucks must be specially modified to fit in the hall. The Energy Center was clearly new, neat

and reasonably set out. But here again, there was a design issue with respect to the size of washrooms provided in the public area. Also, there is no working agreement between the school board and the City to fully exploit the fact that there are in the same building.

We were advised that there is a concern that some of the roads are also getting to the point where they will need significant upgrading or replacing. The condition of the marina is also in question. Our analysis relative to sustainability corroborates information included in a report issued by a Consultant that a capital deficit in excess of $100 million has built up. We believe that we can conclude that revenue being generated is not sufficient to sustain capital at an appropriate level.

14.6   Impact on Other Relationships

With respect to the City's relationships to other organizations, we note that the decision by the Cold Lake Regional Utility Services Commission to withdraw their application for a regional water line extension under the Alberta Municipal Water/Wastewater Partnership (minutes of November 30th 2009) was at least partially impacted by the ongoing discussions surrounding regional revenue-sharing/cost-sharing. Given that the intent to provide a line to the Town of Bonnyville was previously discussed, any suggestion to withdraw from the project, regardless of motivation, should have resulted in a meeting by the Commission and the Town of Bonnyville and the MD of Bonnyville. While the constraints applied by the Province to funding arrangements for the construction of the extension and an expected financial contribution to the cost of the current improvements appears to disadvantage the City that should have been made clear to the Town as a matter of courtesy prior to any final decision. Given the other issues/discussions regarding regional cooperation it might have been expected that this decision by the Utility Commission would have been pursued more prudently.

15.0 The Role of the CAO and Senior Management

15.1 Background

We are required by necessity in carrying out an Inspection to examine some of the core management functions and practices of the City. While there is no requirement by legislation for an administration to function in a certain way there are legislated duties for various personnel e.g. chief administrative officer, treasurer, clerk, assessor.

The incumbent CAO was appointed by contract to his current role as of September 2nd 2008. He was formerly the Director of Public Works and Infrastructure Services. He was appointed under Bylaw #169-AD-04 as per Section 205 of the MGA. His contract (and the MGA) requires that he be provided a performance review at least annually. The CAO was asked to provide Council with his own self-evaluation which he did in August 2009. The format for that review appears to be constructed by the CAO and has been accepted by Council for this purpose. Council's review of the CAO was conducted in October 2009. The review focused on the following: CAO's leadership; management of his staff; ability to work with the Council; financial management; and personal development.

Based on our understanding of the role of a chief administrative officer and our review of the requirements placed on this position by the legislation, we find that:

- The performance review of the CAO concludes that there are few areas of concern in the relationship and many areas considered to be strengths. We have also concluded that this Council is quite favourably disposed to the incumbent CAO and is impressed with his work ethic.

- The CAO provided an impressive listing of accomplishments over the past year in his submission to Council. The list included such projects as: service capacity review, hazard area analysis, developed fiscal impact model, asset management, attracting medical services, attracted a new commercial air

service, increased payment in lieu of taxes from 4 Wing, developed a user fee philosophy, negotiated the union contract, and conducted a budget open house.

- The management meeting report format/minutes seemed to change in mid-2008 and the degree of detail magnified. While that may have seemed to be a good idea in terms of tracking issues, the detail appears to be very cumbersome, likely to be overlooked and thus will become a distraction.

- It is also worthy of note that in a relatively brief period of time two significant changes were experienced by the organization at its senior level (CAO, Director of Community Services). Such senior level changes do not bode well for any sense of stability in the organization.

The management appears to work well as a team. Most are relatively new with one position, the Director of Infrastructure Services in limbo as the position was to be filled but personal factors did not enable the preferred candidate to accept. The position has subsequently been offered to another candidate who was sourced by the recruitment firm retained for this purpose. With respect to the CAO he seems to be well respected. While young for such a prominent position he has conducted himself well and appears intent on building the administrative team. He presents as one with a lot of energy which sometimes results in a degree of impatience with others. He needs to learn more about how to maximize the skills of his senior managers and not overwhelm them with his demands.

The management team believes that they are listened to by members of Council. Their information is read thoroughly and questions are asked. The Council-management relationship appears to be sound.

The City has experienced a considerable degree of turnover amongst its senior staff. In particular we note with concern the fact that the City has had five people fill the position of CAO over the past five years. This does not contribute to any sense of corporate longevity or stability and is noted by staff at other levels of the organization. Coupled with questions relative to dissolving as a

municipality, it is not unexpected that staff members would feel somewhat uncertain.

15.2   Overview of Management Processes

The senior management team meets on a regular basis. The CAO holds weekly executive team meetings and monthly management team meetings. The management team meetings have become more and more focused over the last little while but its members express being reluctant to speak out. The CAO needs to encourage dialogue rather than being the architect of most of it.

Our review of the minutes of selected meetings suggests that the team does place suitable emphasis upon management related issues, housekeeping issues and most importantly, preparation for Council meetings. Such issues under discussion included:

- performance review formats
- style of directors' reports to Council
- financial sustainability action plan
- human resource policy review
- timing of management meetings
- need for new/revised policies
- state of infrastructure
- orientation of new hires
- collective agreement updates
- Corporate Priorities Committee agenda.

The City's management practices have a significant impact on how well City services are delivered and received. They also determine how efficiently such services are delivered and thus whether or not the residents are receiving good value for money. We find that:

- management assists Council in helping to establish the City's strategic framework
- management has prepared service level descriptors which help to guide Council's budget discussions

- management makes budget presentations and highlights the needed changes

- neither Council nor management place sufficient emphasis on policy development; some policy development has been initiated by Human Resources and other functions but certainly more work needed in this important area

- regular meetings of management are held; the CAO meets with his direct reports on a weekly basis (the first Wednesday of each month); on the 2nd and 4th Wednesday in a less formal atmosphere (no minutes) and on the 3rd Wednesday with all members of management

- position descriptions are available for most positions and are gradually being updated

- the City makes relatively good use of its internal communications service to disseminate current news to all employees

- record-keeping has been allowed to drift until recently with the retention of a records management person

- policies are being developed for discussion with Council; while more work is needed in this regard, we note that the examples of policy statements which we received indicate a high level of understanding regarding how policies ought to guide administrative actions

- performance reviews are in place although these have generally been implemented on a hit and miss basis; the system does not appear to have any linkage to the City's compensation plan

- the training which has occurred has been largely ad hoc and thus not a part of an overall plan

- Council members are treated with respect; information requested is being provided to them

- decisions made by Council are implemented by management; while Council has identified strategic priorities there has not been any movement by the administration in terms of developing a new business plan (last one created in 2007); this is recognized by the CAO and will be addressed

- management priorities are developed by the senior management team and communicated by the CAO

- General Managers meet with their staff on a regular basis albeit this seems to vary with the GMs

- staff morale is perceived as lower than usual due in part to a degree of dissatisfaction with the results of forming a union and the high expectations that surrounded that process

- staff turnover remains a concern with higher than normal turnover in manpower in part because of the nature of the military base and the transience that this dictates and in part because of the other factors we have already described; of greater concern is the very quick turnover in the position of CAO, where five CAOs have served the City over the past few years; this contributes to the absence of policy.

We have explored some of the management processes (as follows) in more detail particularly as they have a more direct impact on the functioning of the City as a viable entity.

15.3 Strategic Planning, Business Planning and Budgeting

Business planning is one of the techniques that a City generally utilizes to ensure that it maintains an ongoing awareness of what issues are being considered in what order of priority. This term is generally defined as meaning a comprehensive approach to connecting the organization's vision, mandate and values to its current priorities and defining needed resources, responsibilities and targets.

Whereas the City appeared to see this as a significant planning tool in the 2004 to 2007 timeframe, it has not been updated in recent times. The plan that does exist lacks a clear definition of goals and performance measures and is thus handicapped in terms of providing a suitable measurement of the City's core businesses.

The website has a 5 year business plan containing information for the years 2007 to 2011 in it. The plan has the following footnote "City of Cold Lake Five Year Business Plan – March 2007 (Draft Update)". The absence of consistent work on

such a plan also limits the ability of departments to understand how current priorities fit within a longer time frame. We understand that the reason for limited attention to this planning technique has been their focus on other issues, particularly on pursuing the matter of dissolution as a City.

In 2009 the City undertook a community survey in connection with its visioning process. A majority of respondents (59%) reported that they felt they enjoyed a high quality of life. 38% were satisfied with the services provided by the City with 49% neither satisfied nor dissatisfied. The majority of respondents (83%) were concerned with the fiscal stability of the City.

The management of the City believes that the City's fiscal base is not sustainable in its present state given the projects which management feels are required over the next decade. Interestingly, no one spoke to the need to increase taxes to help meet the projected shortfall but rather placed their emphasis on obtaining a better deal with the M.D.

We were advised that "Service Level Reviews" are part of the City of Cold Lake's annual budgeting process. This tool was implemented approximately two (2) years ago as the City shifted from a review of its general ledger (line by line) budget to a program-based budgeting style. The resulting document is a review of the municipal programs and services provided by the City which is prepared by administration with input from all staff including the grass roots of the organization. This initiative by the City administration is to be commended.

Prior to discussing financial numbers in a budget document, the service level review is used to facilitate discussion on service expectations. During discussion Council may want to add, delete, or even make changes to existing services, all of which will have impacts on the budget. As advised by senior management, this tool allows Council to be educated in the depth of the organization without being involved in the details. We were advised that it is the intent of management to ensure that future considerations and comments will be recorded and reflected in updates to the municipal business plan. This document also allows staff to further understand organizational expectations.

Management expresses the view that in order for staff to be successful there are three key elements to consider:

- staff needs to be able to clearly understand what is expected of them

- the necessary tools and resources need to be available; and

- the organization feels that it needs to provide more focus on congratulating each other on the successes and provide constructive criticism on any shortcomings.

The service level document has also proved to be useful in resolving insurance claims (e.g. sidewalk trip hazards, roadway pot holes, and snow removal).

In summary, the document is utilized to facilitate budget discussions, public education, internal performance guidelines, insurance claims, and risk management.

The 2007 five (5) year business plan was adopted in August 2007. The business plan was prepared with input from all departments and functional areas. Subsequently, the draft document was provided to Council for input, discussion and debate. This process allowed the document to be supported by both Council and administration and provided the framework for work programs between 2007 and 2011.

The City has approached the matter of strategic planning in a practical and thoughtful manner. It sought the assistance of an experienced facilitator on such matters and pursued a strategic plan in March 2008 with a revised report being provided by the facilitator in June 2008. The report on that work indicated that there were five major recommendations which resulted from the work of Council and the administration. These were:

- adopt a Strategic Priorities Chart

- adopt the Priority Work Program

- organize a Service Capacity Review session by September 2008

- adopt the Success Indicator Guidelines and initiate Council/CAO sessions by March

- adopt the Priority Setting Guidelines; request the CAO to schedule strategic sessions to discuss strategic issues and update priorities.

- The main focus of the new Council was the sustainability of the City of Cold Lake in terms of:
- the service levels currently provided by the City;
- the future service levels expected of the City;
- acceptable levels of municipal taxation required to accommodate the existing and expected service levels; and
- the most cost effective and efficient governance model that could provide the expected levels of services to the community.

Subsequently, the City of Cold Lake retained a consultant to conduct a Community Engagement & Visioning Project. The specific purpose of the project was to:

> "Develop and implement a comprehensive community engagement process for the City of Cold Lake that will provide the City with a future vision along with identifying strategic priorities and sustainability initiatives that will help the community to reach its future vision."

The expected outcomes of the project included:

- a clear understanding of the views, values and expectations held by the community;
- the development of a broad based community vision of the short and long-term future for Cold Lake;
- the development of a short-term and long-term business plan template for the community with measurable and attainable outcomes;
- a clearly defined process of continued community engagement that includes regular refinements to the Community Vision and Business Plan.

During the spring and summer of 2009, the City hosted several workshops with the public and stakeholders in the community as part of the Community Engagement & Visioning Project. A presentation to Council on the findings of the report was conducted on June 14, 2009 and a review of the draft final report was completed on September 15, 2009. It should be noted that a second review of the document was scheduled for December 15, 2009.

Council recently passed a motion supporting the Community Engagement and Visioning Report which outlines a corporate vision, goals, and strategies. An issue of some significance in the report pertains to increasing user fees and taxes to generate more revenue. Some members of Council felt that the report did not go far enough to make recommendations on provincial changes with regard to legislation and that all the key findings were based on current legislative framework. Despite the discussion, Council supported administration's recommendation to accept the report "as information" so that the organization could move forward with business plans and strategic plans.

Once the budget has been approved, administration and Council will be moving to update the business plan recognizing the results of the Community Engagement & Visioning Project (which includes the results of the Bannister Survey) and the existing Business Plan; all of which is a requirement of the Municipal Sustainability Plan which is due in March 2010.

15.4 Human Resource Systems

15.4.1 Background

A strong effective human resources system is fundamental to the success of any organization (including a municipal government such as the City of Cold Lake). Elements of effective HR management include:

- a comprehensive HR plan that addresses organizational needs over the short and longer term (this plan should be tied to and support the business plan)
- relevant comprehensive HR policies which are properly maintained
- an HR department led by a competent professional who is placed at a senior level in the organization
- sufficient resources which are assigned to HR to facilitate working economically and efficiently and which are supported by appropriate systems
- employees who are aware that they can readily access HR staff for advice
- position descriptions that are updated regularly (or as needed by organizational changes) and are designed with one common template
- recruitment policies which are designed to objectively identify the most appropriate candidates

- compensation plans that are consistent with sector practice, local economic circumstances and are sufficient to attract and retain staff.

15.4.2 Observations

The Human Resources Department was established in the June, 2009 with the hiring of the new manager. Previous to this point, HR responsibilities were assigned to the Human Resources Co-ordinator. The establishment of the Department was the culmination of two years of work by the administration. The need for change arose because of concerns with the HR's capacity to administer leave policies and provide advice. Also, it was evident that HR was avoided as a source of advice and support by line departments. Shortly after promotion the new CAO replaced the co-ordinator position with that of an HR Advisor.

The HR Manager undertook a number of changes in the administration of human resources. At the core of these changes was the need for more structure, improved role definition, policies and processes, improved confidentiality and trust, improved focus on timeliness and a better client service orientation. Further, credibility and trust needed to be re-established with line department managers. An important step was the implementation of a comprehensive and current set of human resources policies. These were approved in October 2009. Human resources policies appear to be comprehensive, appropriate, current and sufficiently robust for this organization. The HR Manager continues to work on the policy framework and indicates that other policies are currently in process.

The HR manager position description was developed by the Executive Search firm for recruitment proposes. It provides a high level description of position responsibilities which the manager found helpful in preparing her for the position. Contrary to the practice in many organizations, the HR leader is at the manager level and reports to the General Manager of Corporate Services. (More frequently we have found that the HR leader reports directly to the CAO). As the role evolves there may be a need to re-consider this matter as part of an expanded and integrated organizational scenario. The HR Manager attends weekly meetings with the General Manager of Corporate Services as a member of the Corporate Services management team. The Manager participates on project

teams as assigned and meets with managers, as clients, on a one to one basis to provide HR services, consultation and advice.

Since June 2009 a number of initiatives have been undertaken and completed. These include:

- establishment of terms of reference for the new HR position.

- introduction of expanded HR capacity, systems and structure

- development of a new service mandate for the new Human Resources Department

- City Council is now updated monthly on general staffing levels, recruitment activity and position changes

- introduced and conducted the first formal CAO performance evaluation, utilizing a 360 degree feedback model and providing opportunity for Council input and review.

The HR manager believes that there is a need to update the staff evaluation system. A basic rating-based evaluation system is in place for staff, but it is not goal-oriented and was inconsistently administered. The performance evaluation system, across the organization, requires greater formalization, more consistent administration and integration with compensation.

Training has occurred on an ad-hoc, decentralized basis, generating confusion and not meeting core training needs of the organization. There is little or no accounting for training expenditures. Some changes are required to ensure legislatively required (such as safety and equipment training and work required training) receives priority funding and discretionary professional development funding is relegated to lower priority. Under the present policy employee proposed training receives funding at 50% whereas employer proposed training is 100% funding. This formula has resulted in misallocation of training dollars to non-essential training and has left core workforce capacity and readiness at risk. Further, the lack of planned and ongoing training has likely contributed to the City's difficulties relative to staff turnover and the resulting difficulties for supervisors to manage their responsibilities due to increased number of vacancies. This may also have impacted the employees in their pursuit of

unionization and subsequent grievances. Also, administrative interpretation procedures for reimbursed travel time are incoherent and at the core of the current grievances.

The organization would benefit from an analysis of training needs, expenditures and utilization and adjustment of the training policy and procedures to better meet core training needs.

The Corporate Services- Human Resources Plan defines the HR Department's programs and services, details its current service activities and sets outs its future service activity goals, programs and strategies. The HR Manager has instituted significant record and tracking system changes to provide basic requirements for leave tracking, benefit administration and Collective Agreement administration. As well, there are plans to introduce employee self-service next year, along with an employee recognition program, formalized recruitment and retention strategies and centralization of in-house training and development opportunities to meet core training needs. These projects have been identified for budget inclusion.

It is noted that the staff group has recently unionized with the AUPE and will be undertaking its first set of contract negotiations shortly. Unionization has been the result of perceived lack of fairness in leave administration and working schedules administration combined with ineffective stewardship of employee relations. Some employees feel that certain employees have been allowed highly desirable leave arrangements based on favouritism and paternalism. It was hoped that unionization would bring more consistent and fair application of these leave provisions for all employees. Management is of the opinion that union members do not feel they are getting value for their dues dollar. There has been talk of decertification and poor relationships between shop stewards and their leadership.

Of immediate concern to the HR Manager is the inclusion of certain staff in the union. For example, the present certification includes payroll personnel thus making it difficult for the City to provide and maintain essential services during a strike. Further, it is questionable whether the City could maintain its water

plant, which is its primary critical service, in the event of a strike due to the unionization of critical positions within this work group.

With the improvements and proactive measures taken to build capacity and credibility in Human Resources, it is recommended that senior management not take an active role in attempts to de-certify the Union, as unionized employees are taking the representation issue into their own hands, but rather, focus on initiatives and strategies to build constructive employee relations given the status quo.

There is no annual Employee Satisfaction/Climate Survey in place, but there are plans to bring one in next year. The CAO is cognizant that he has a role to play in encouraging improved employee morale and has hosted a staff appreciation breakfast in mid-January 2010. This was well attended and allowed the CAO to provide the organization an update to the Municipal Inspection to limit the spread of rumours throughout the organization and ease anxiety. This was useful given the turmoil surrounding the significant changes that the organization has gone through in the last five (5) years together with the headlines suggesting dissolution. There are a number of HR issues that need to be addressed, including:

- new employee orientation training
- basic HR metrics respecting turnover, employee satisfaction, staffing process outcomes, training program effectiveness and employee skill levels
- managers would benefit from key indicators training and efforts to set and benchmark performance indicators in their respective areas.

Present policy favours a "promote from within" practice, where employees meet the requirements of the position. Entry level labour needs have been met by posting at the local Job Bank. Certification, credential assessment and referencing due diligence is adequate to prevent fraud and misrepresentation. For managerial positions the use of an Executive Search firm is adequate and appropriate for the task.

A Position Recruitment Request system is being instituted to ensure adequate position control, recruitment tracking and a systematic, reliable and

accountable means to identify and fill vacancies. This addressed a major gap in the set of standard tools required to operate HR practices. It has already introduced greater reliability and stability in accounting for staffing and enabled more effective management of vacancies and timely recruitment.

Effective performance management has been lacking and the organization was without an effective integrated and goal-oriented policy in place, until recently. Basic HR database tools such as seniority list, appraisal records and personnel file content had not been historically maintained. The City is building the systems needed to enable the organization to effectively manage Human Resources.

The City expresses the view that it is nearly 90% complete relative to updating its job descriptions. It is currently conducting the managerial review and quality control aspects of the process. The process not only included union personnel, it should be noted that this process also included the managerial and out of scope staff. This was a critical process and included positive engagement with staff. Feedback on the process has been very positive and will help set the stage for position negotiation with the collective bargaining unit and corporate compensation review.

There is some evidence that the Bellamy System, which the City participates in, has available and unused HRIS reporting capacity which could be used to support the development of HR tools, processes and systems. Specifically, this includes employee position descriptions, leave of absence, time sheets, training, development and credential tracking.

The compensation plan in place and market based adjustments were implemented in 2009 consistent with a report by the AUMA. There are also further recommendations from the AUMA that the City is considering addressing.

15.5 Management Information Systems

15.5.1 Background

When examining the management of information systems and technology, we considered such factors as security and risk management, IT business planning,

governance, project delivery, fiduciary and resource management, service delivery, performance, and the overall sustainability of the operation.

We would expect an effective, well-managed, corporate Information Technology practice to have:

- appropriate safeguards and mitigations to protect the City data and technology asset;

- IT planning processes that are integrated with corporate business planning;

- stable delivery of IT services aligned with organisational requirements;

- ongoing continuous improvement of services in compliance with regulatory requirements.

15.5.2 Our Observations and Findings

The information systems and technology infrastructure is the responsibility of two employees, including one with considerable related experience. Within two years of joining the City, the Manager developed an Information Technology Plan and set about building the internal processes for IT service delivery within the organisation.

At a summary level, we make the following observations:

- Overall, the City of Cold Lake is receiving good value for the level of investment made in the operation of its IT services. The IT infrastructure is sensibly designed and managed according to needs and priorities.

- Unfortunately, most of the operational knowledge required to operate the IT infrastructure resides with a single individual. This represents a significant risk to ongoing service delivery in the event of illness or the individual leaving the organization.

- Existing (people) capacity is insufficient to deliver projects in a timely fashion and the use of external contractors is viewed internally as inefficient and costly.

- IT planning is not formally connected to corporate business planning. There is little involvement of the line departments in IT decisions to determine which initiatives are to move forward. There is some frustration expressed by

departmental lines of business that their projects do not proceed in a timely or predictable manner.

- Policies relating to the use of information technology exist however only a few are formally documented. There is no *formal* initiative underway to assess what is required, or to see required policies established.

These observations are presented and explained in greater detail in the following sections of this document.

15.5.2.1 Our Observations (in detail)

Over the past five years, the complexity of the environment supported by IT at the City has increased and there has been significant growth of infrastructure to support. One geographical location has become twelve, and thirty desktops have grown to over one-hundred. The number of servers and the complexity of the network have grown significantly also. Overall, the leadership of the IT unit has taken reasonable steps to accommodate this growth and clearly understands the need for a sustainable environment. The ability of the IT organization to withstand a future significant increase in service expectations or growth is poor in the present configuration of resources and funding.

In part to meet these demands of growth, an Information Technology Plan was developed. We find that only parts have been executed and that other priorities have taken precedence with respect to allocation of corporate resources (namely people).

Investment decisions with respect to IT projects and initiatives are largely made within the IT organization, and with significantly less involvement by line departments than would normally be expected. The balance of investment towards IT technology improvements vs. departmental initiatives is probably reasonable; however the prioritization of corporate initiatives should have significantly greater involvement from departmental leaders. There is a lack of formal corporate governance around the planning of IT related expenditures.

Financial decisions with respect to IT technology/infrastructure improvements are prudent and with a strong bias towards initiatives that yield greater operating efficiency. This approach is consistent with delivering sustainable IT

services in the context of constraints on resources (facilities, people, funding). IT budgets are prepared and utilized although typically only have a planning horizon of 12 months.

The City made the transition from using an external IT company for provision of all City IT services, to an in-sourced operation with permanent staff. As an outcome, the City has introduced a number of risks.

- The detailed technical knowledge required to operate the IT environment resides with a single individual. The risk mitigation plan of bringing in a replacement, should the employee be incapacitated, is likely insufficient.

- As an example, it is unlikely that sufficient documentation exists to allow another organization to gain the necessary control and understanding of systems to manage the environment. The IS Manager is taking steps to mitigate some of this risk through the development of a junior employee.

- Presently, with only two staff, there is little ability to sustain the loss of one or both individuals for any significant period of time. This situation is clearly of concern to both IT staff members and is noted as a concern by others in the organization.

The corporation is receiving good value from its IT resources (people). In some respects, the IT organization has delivered systems with technical capability that exceeds the ability of line departments (skills, resources) to utilize.

The IT organization has capacity to complete only a relatively small percentage of the projects and initiatives in the pipeline. There is a significant gap between the demands of the organization and the capacity to deliver (and this is informally understood). As a result, projects stutter to completion, proceeding only when resources can be made available.

Those initiatives that originate from within IT are prioritized effectively (albeit informally and with the minimum of communication).

Initiatives originating from within departments lack a formal corporate governance process to resolve competing priorities; there is no indication that they are being prioritized in alignment with corporate enterprise needs. There is

no evidence of the use of formal business cases or a means by which IT can assess relative priority of one initiative over another.

There is no evidence to support that a project management approach is being employed in the delivery of IT (or corporate) initiatives. As a result, resource requirements are not clear, delivery is not managed to timelines, and business requirements are not formally documented and signed-off. Delivery is inconsistent and does not lend itself to commencing other initiatives on which there may be dependencies.

With regards to supply contracts, it seems that reasonable actions are taken to negotiate best price. A number of examples were cited that would indicate the IT organization is maximizing the opportunity to acquire Information Technology assets at competitive prices. With this said, the RFP process is not extensively used. There is awareness of the opportunity to combine purchasing needs with other regional organizations. However this has not been explored. This is unlikely to change given the focus on maintaining existing systems vs. building partnerships or work planning.

System updates generally seem to go well although some exceptions were noted. There is little capacity to handle upgrade failures beyond recovery from backup and retry (after investigation).

The implementation of a management framework (such as ITIL: Incident Management, Problem Management, etc.) does not exist and is not planned. Processes are informal and mainly reactive but this level of maturity is consistent with what we would expect from an organization of this size.

Training is provided for IT staff with a strong focus on technology development. With this said, both individuals lack opportunity to focus on work that would assist them to develop from a career perspective and make more immediate use of their training.

It is estimated that the great majority of available time is invested in day-to-day operational maintenance of the environment. This is almost completely reactive and leaves insufficient time for project delivery or planning of the IT operation (i.e. proactive activities).

It is has been stated repeatedly that good relationships exist between the IT staff of the City of Cold Lake and other local and regional organisations, including the M.D. of Bonnyville.

Policies relating to the use of information technology systems exist however only a few are formally documented. This is a known issue and relates to the capacity to complete the work. The expertise and access to information to develop these policies in the local context of the organization exists although it is not fully clear to staff what policies are missing or required.

Overall, the system infrastructure is well run and the technology architecture has been designed to meet the needs of the City and is effective. There is strong evidence to support that most or all opportunities for efficiency are explored and again there is evidence that these initiatives are undertaken or rejected based upon reasonable assessment of the operating environment.

15.5.2.2 Our Findings (in detail)

In review of these observations, the following recommendations are made:

- Establish a corporate IT governance framework. Recognizing the level of maturity and readiness of the corporation, it is suggested that full architectural control of technology should remain with IT however, governance should be established to draw the departmental leadership into decisions, prioritization, and understanding of those business initiatives with IT components. This will improve the transparency of IT initiatives and will draw the corporation into the planning process. As part of governance, basic performance measures should be discussed and formally established, a simple decision framework developed, and so forth.

- Establish clear role accountability in business units for planning for IT components of business projects. This will lead to a better understanding of business goals for IT, an improved understanding of priorities, and an understanding of whether client needs are being met satisfactorily.

- Establish and communicate the first iteration of a corporate IT 3-Year Business Operating Plan. By the second year cycle, complete the integration

of the departmental-driven projects into the plan. This plan should include clear and realistic delivery timelines associated with the projects identified.

- Establish a basic, practical, business continuity and disaster recovery plan for IT services. An example for inclusion: IT systems require accessible documentation (and passwords) in the event that a third-party is required to come in and take over operations. The BCP/DR Plan should be tested.

- As a prerequisite for project initiation, establish the requirement for a simple business case. This should identify the need, alignment to corporate goals, return on investment, and ongoing operational costs for budget planning. These business cases should then be consulted in the prioritisation of initiatives.

- Develop a strategy to address the issue of IT staff resourcing (capacity and risk).

- Consider some form of staff augmentation (within the constraints and opportunities that exist in the Union framework).

- Consider a stronger connection to, or absorption of, the GIS resource into the IT group.

- Assess the feasibility of more formally connecting the IT resources in the region through reciprocal support agreements.

- It may be necessary to consider the development of a regional IT model, with the combined resources, and regional governance, supporting the needs of multiple organizations. It is recognised that the Province would likely be required to facilitate and perhaps 'seed' such an approach.

- Information Security is clearly considered but is untested. Establish a basic security framework/plan with independent security tests for the purposes of ensuring the configuration of systems is adequate.

- Introduce stronger Project Management discipline to the organization and leverage this expertise for the delivery of IT projects. Consider the hiring of a full-time or contract Corporate Project Manager.

- A Corporate Services initiative on Tangible Capital Assets is understood to be underway; assets are created within IT and as such, IT should be involved in the implementation so as to effect the necessary changes in budget planning and asset reporting.

- As previously discussed, establish an initiative to complete the work on outstanding IT-related Policies.

- It is suggested that a basic IT communications strategy is developed. It is a common theme from all interviews that IT lacks transparency in decision-making, prioritization, and project delivery. At a corporate level, the organization may wish to develop or retain the services of a strategic Communications Advisor to assist in the design of this IT Communications Strategy. Alternately, strategic communications training is recommended for the IS Manager.

Overall, the recommendation is to take the time to plan, resolve the resource risk and capacity issue, and to develop stronger frameworks for IT decision-making and execution of projects.

15.6   The City's Planning Processes

15.6.1 Regional Land Use Planning

The Alberta Government Land-Use Framework, released in December 2008, requires the completion of seven regional plans across the province. The City of Cold Lake and the M.D. of Bonnyville are located at the south end of the watershed designated for the Lower Athabasca Regional Plan. The M.D. of Bonnyville, including the City of Cold Lake, is one of three municipal areas in the Athabasca Region. The other two areas are Lac La Biche County and the Regional Municipality of Wood Buffalo.

15.6.1.1 Alberta Land Stewardship Act

This Act received Royal Assent on June 4, 2009 and was proclaimed the following October 1st. It is the legislation that provides for the making, implementing, amending and review of regional plans across the province as specified in the Land-Use Framework. Each of the seven regional plans will represent the policies

of the Alberta government and as such they will bind the Crown, local governments and other decision-makers.

15.6.1.2 Profile of the Lower Athabasca Region

This Government of Alberta Report was issued in July 2009 following a series of regional plan information and awareness sessions conducted in more than a dozen communities in the Lower Athabasca during the previous spring. "This report provides an overview of key social, economic and environmental factors in the Lower Athabasca land-use region that need to be considered in developing a regional plan. The Report outlines major land uses…highlights important trends and identifies…changing human activities…It also notes where potential land-use conflicts are likely to arise". The Profile constitutes the initial stage of the regional planning process for the Lower Athabasca and provides a reference point for the work of the Regional Advisory Council.

It should be noted that another important companion report entitled the M.D. of Bonnyville - Cold Lake Sustainability Issues Research Report prepared by Alberta Municipal Affairs and the Oil Sands Sustainable Development Secretariat was also completed in July 2009.

15.6.1.3 Advisory Council

The stakeholders who comprise the Lower Athabasca Regional Advisory Council have the responsibility of providing strategic advice and recommendations to the Alberta Government on the development of a land-use plan for this region.

The RAC meets monthly and is joined by the Government of Alberta Regional Planning Team (RPT). The RPT is headed by a Regional Project Manager and consists of senior staff from government ministries with an interest in developing the Lower Athabasca Regional Plan. The RAC provides advice and recommendations to the RPT who are required to draft the Plan this year. The chair of the RAC is also responsible for providing advice from the RAC to the Assistant Deputy Minister of the Land Use Secretariat.

15.6.2. Inter-municipal Planning and Development

The City has taken initiatives during the past four years to establish mutually beneficial policies and procedures with the M.D. of Bonnyville related to land use planning and development.

15.6.2.1 Inter-municipal Development Plan

The City of Cold Lake and the M.D. adopted an Inter-municipal Development Plan which took effect on July 22, 2009 with an intended duration to the year 2027. The terms of reference were approved by each municipality in the fall of 2006 and the Plan was subsequently prepared on their behalf by Armin A. Preiksaitis & Associates Ltd.

It is important to note the following sentence from Section 1.1 of the Plan:

> "Both Municipalities agreed that a negotiated Inter-municipal Development Plan is the preferred means of addressing inter-municipal issues within the IDP area and that it represents the best opportunity for a continuing cooperative working relationship between the two municipalities."

This section of the Plan also states that the Municipal Development Plans of both municipalities contain policy frameworks for the preparation of an Inter-municipal Development Plan.

> This IDP appears to be grounded in an extensive inventory and analysis of existing land use, natural and man-made features, land ownership, and land use policies and zoning.

> Section 3 - Policy Framework is comprehensive and is comprised of seven subsections including general land use, parks and recreation, cultural resources, and environmental management. Economic development and tourism, transportation network, and servicing and infrastructure, are three policy areas that contemplate close cooperation and special agreements between the two municipalities for mutual success. For example, the IDP lists policy statements with respect to regional partnerships for economic development, business recruitment strategy, inter-municipal gateways, and tourism development in Subsection 3.1 Economic Development and Tourism.

Section 5 - Implementation provides for another important opportunity for agreements between the City and the M.D. Subsection 5.2 - Cost and Revenue Sharing Agreements contains three policy statements: mutually beneficial cost and revenue sharing agreements are encouraged; revenue sharing agreements for inter-municipal projects related to regional community development are to be pursued; and, the provision of water and wastewater services to the IDP Area by the City are to be accomplished by agreements.

15.6.2.2 City of Cold Lake Circulation and Referral Process

Table 1 in Subsection 5.5 of the new Inter-municipal Development Plan describes the minimum circulation and referral requirements of the two municipalities for planning and land use proposals within the IDP Area. Notification from the M.D. to the City is required within the IDP Area for any proposed statutory plans, statutory plan amendments, proposals in undeveloped areas or areas not covered by existing area structure plans or area redevelopment plans. In addition, proposed road closure bylaws and proposed development applications with discretionary uses require referral if the subject areas are within 1.6 km of the adjacent municipality boundary.

The City of Cold Lake Municipal Development Plan 2007 - 2037 was adopted by Council in August of 2007. The objectives and policy statements listed in Section 15 – Inter-municipal Planning and Regional Co-operation are designed to achieve the following goal:

> "Maintain mutually beneficial relationships with MD of Bonnyville #87, authorities and other agencies in the region."

Most of the objectives and related policies outlined in this section have been achieved with the adoption of the IDP in 2009.

15.6.3 City Planning and Development Requirements

The existing requirements and procedures in place at the City for reviewing and processing subdivision and development proposals appear to be functioning adequately. The City has a proper hierarchy of planning documents: the IDP, the MDP, outline plans, area structure plans and area redevelopment plans, and the Land Use Bylaw.

- Land Use Bylaw No. 301 -LU-07 (LUB)

Two months after Council approved the new MDP in August of 2007, they gave third reading to a new Land Use Bylaw for the City which became effective on November 27, 2007. This document, as amended, is intended to implement the policies of the statutory bylaws adopted by Council, especially the MDP. Subsection 1.1(1) of the LUB states:

> "The purpose of this Bylaw is to regulate the use and development of land and buildings within the City of Cold Lake, having regard for the provisions of the City of Cold Lake Municipal Development Plan"

A review of the LUB reveals a comprehensive document with content appropriate for a City the size and complexity of Cold Lake. The Bylaw provides for a Development Officer, a Municipal Planning Commission (MPC), and a Subdivision and Development Appeal Board (SDAB). Their functions are described in the LUB, although the establishment of the SDAB is accomplished by a separate bylaw.

At the time of writing this report, planning staff was preparing to host two open houses to receive public input regarding a new package of proposed amendments to the LUB.

- Public Expectations of Performance

It is important to gauge the level of satisfaction of stakeholders, rate payers, and the public with the performance of Council and City Administration related to such things as land use planning, development, and capital investment planning. Budgetary performance standards are unknown at this time.

Council reviewed a complete Land-Use Bylaw Review and Lakeshore Area Redevelopment Plan presented by the administration. This review will now be going to stakeholder engagement such as the development community and the local chapter of the Urban Development Institute. This should be a very positive relationship building tool for staff.

- Recent Policy Development

The City has a new manual of Planning and Development Procedures covering all areas of responsibility of the Planning and Development function including such

matters as subdivisions, re-zonings, animal licensing (now with the local Humane Society), development permits, building permits, and taxi permits. Other policies that have been developed or updated during the past two years include:

- ➤ A revision to the street naming and numbering policy
- ➤ encroachment agreement policy
- ➤ public utility lot licensing policy
- ➤ planning and development notice policy
- ➤ Special Transportation Policy
- ➤ update of the City's Emergency Measures Plan
- ➤ update of the Imperial Park Master Plan which is now close to completion
- ➤ update of the City's Land Use Bylaw (Currently being set up to present to Council, as discussed earlier in this section)
- ➤ update of an area redevelopment plan for Cold Lake north in the vicinity of the Cold Lake Marina
- ➤ completion of the Inter-municipal Development Plan (refer to Section 14.6.2.1)
- ➤ updating of the City's standard lease agreement.

15.6.4 Planning & Development Unit

The City's planning services unit is placed within the Public Services umbrella and is headed by the Manager of Planning and Development. In addition to the Manager, the Unit is made up of five (5) other full time positions: these are Planner, Planning Intern, Development Officer, Subdivision Officer and Administrative Assistant. The Unit's budget is a relatively small component of the City budget, though it is of a similar size to comparable municipalities.

The unit has a range of responsibilities which includes:

1. Respond to inquiries from the public
2. Long term planning services
3. Short range planning services
4. Development services
5. Safety codes services
6. Business licenses

7. Other services

We are advised that the relationship between Planning and Engineering is one which evidences support of collaboration. Management represents that the current organization structure is based on service to the public and not only service to the infrastructure of the community. Planning fees underwent a significant change in 2008. The change was to adopt a comprehensive fee schedule which was comparable to other municipalities of a similar size. Subsequent to this change, fees underwent annual amendments to keep them current.

15.6.5 Our Observations

Any future dispute between the City of Cold Lake and the M.D. or any other area municipality will happen within the context of a major regional planning initiative from the Alberta Government related to the Provincial Land Use Framework. There is the possibility that solutions may ultimately be imposed through the regional planning process if disputes persist at the inter-municipal level.

The IDP contains policies which encourage close cooperation between the City and the M.D. within the IDP Area, especially with respect to land use planning matters. We are optimistic that this process should lead to other mutually beneficial agreements beyond the scope provided in the IDP.

The relationship between land use planning and development permitting is an important one, especially with respect to the negotiation of development agreements. This relationship should ensure that the development engineering function and the personnel involved with planning and development are mutually involved in the negotiation of development agreements on behalf of the City.

15.7 Use of Audit Services

15.7.1 Background

Every municipality is required by law to appoint an auditor to audit the books of the municipality (Section 280(1)). The City has contracted with the same audit firm in excess of 35 years. The firm's partner Peter Johnson from Faber & Co. (firm previously operated under the name of Johnston and Petryk) was our

primary contact with the City's audit of its Financial Statements. Faber & Co is licensed to conduct audits and is subject to regulatory oversight by the Institute of Chartered Accountants, which includes a periodic review of the firm to assess compliance with Generally Accepted Audit Standards. Based on discussions with the firm and management, we do not have concerns with audit.

The auditor's task is to express an opinion on the whether the financial statements conform to appropriate accounting principles. The goal of the audit is to gather sufficient appropriate evidence to conclude on the financial statements. They also as part of the audit issue a management letter which identifies areas that need improvement including internal control systems.

15.7.2 Audit Engagement

The audit engagement consists of the following phases/aspects:

- Planning:

  This phase includes an assessment of the risk of material error in the financial statement as a whole.

- Examination of control systems:

  In this phase the auditor examines the internal controls systems. The intent is to assess the degree to which the auditor can rely on these systems to determine the extent of substantive testing needed. The key point is that the systems are examined to support the conclusion on the financial statements and not to detect fraud.

- Substantive testing:

  The auditor carries our various audit procedures to gather evidence. These procedures include detailed testing transactions, observation and enquiry.

- Conclude and report:

  Based on the evidence gathered, the auditor concludes on whether the financial statements present fairly, in all material respects, the financial position and the results of financial activities and the change in financial position in accordance with Canadian generally accepted accounting principles.

15.7.3 Management Letters

As noted, as part of the audit the auditor issues a management letter which identifies areas for improvement. We reviewed the management letter of the past 5 years and we note the following:

Letter issued July 7, 2005 for the audit of financial statement for the year ended December 31, 2004:

- The financial position of the City may be regarded as adequate. However, the auditor reported that working capital was in a negative position and that this needed to be improved. In the Management letter the auditor stated that "This less than ideal state of affairs has gradually arisen and accumulated through inadequate revenues, particularly in the area of taxes." He went on to say that "This deficiency, combined with the ongoing requirement for capital expenditure, has depleted the once strong financial position of the municipality." The auditor then stated "In view of the deficiency in working capital that existed at December 31, 2004, it appears absolutely necessary, and we strongly recommend, that the annual budget process is concerned with the generation of an operating surplus, every year for whatever length of time it takes to bring the working capital back into a healthy position, with a ratio of at least 2:1 relative to current assets and short term liabilities."

- Prepare quarterly financial statements for Council.

- Gradual amortization of Cold Lake Library book inventory in order to remove the balance.

- Periodically reconcile transfer between accounts to ensure that they net to zero.

- The account "Equity in Capital Assets" also needs to be reconciled for financial statement purposes.

- Improve the quality of working papers provided by City accounting staff. The auditor acknowledges that they received these documents on more timely basis than previous years.

- Ensure that Excel spreadsheets supplied do not contain errors.

- They recommended that the City not allow developers to proceed until they have provided the full amount of security under the development agreement.

- The letter closed by noting that "…many of the ones included in this letter (especially reconciliations, working papers and back up information) were mentioned in our letter for 2003, and in previous years."

- Letter issued April 6, 2006 for the audit of financial statement for the year ended December 31, 2005:

- We are pleased to state that the accounting records underwent a remarkable improvement in 2005. Reconciliations were completed and available for the general ledger accounts that required such action. The working papers that were provided to us were excellent, easy for us to follow and very well organized.

- We were pleased to note that this recommendation was heeded, and the necessary security (for agreements with land developers) was obtained on a timely basis in 2005.

- This year, the records were complete and available during the early part of February, which was the earliest date that the writer can recall.

- Whether or not documentation is involved, it will be helpful if careful and concise explanation is provided for each journal entry.

- Consider the recording of journal entries to eliminate the loans and the offsetting pseudo assets in 2006.

- On that schedule, it will be seen that the current assets exceed short-term liabilities by $3.8 million dollars. This picture is somewhat deceptive, inasmuch as the City has heavy commitments for expenditure on capital projects of which approximately $3,845,000 will be expended in the year 2006. In effect this would use up the City's working capital, were it not for the fact that additional revenues of $4.2 million dollars are expected to be realized through the sale of twenty live residential lots, an infrastructure grant from the Province of $2.3 million dollars, and a grant from the Federal government of $400,000.

Letter issued May 15, 2007 for the audit of financial statement for the year ended December 31, 2006:

- Please ensure that all accounts are reconciled prior to delivering the December 31, 2007 trial balance.

- No letters of employment were found for several of the firefighters. Please ensure that all your employee files contain letters of employment

- As you are aware, the City's financial reporting staff operates with a good allocation and segregation of duties. From our testing performed, we found no deficiencies with the City's internal controls. It is encouraging to see that your administration operates in an effective and timely manner. Please continue to uphold the City's office policies and procedures to maintain a high expectation of quality.

Letter issued February 22, 2008 for the audit of financial statement for the year ended December 31, 2007:

- We did not detect any fraudulent or illegal activities, or material misstatements resulting from fraudulent or illegal activities during our audit.

- During the course of our audit, we did not encounter any specific internal control matters that should be brought to your attention:

- We will be submitting to management a letter on internal controls and other matters that we feel should be brought to their attention.

- The only issue raised in this letter was a need for minor improvements in the working paper prepared by management

Letter issued April 20, 2009 for the audit of financial statement for the year ended December 31, 2008:

- The auditor recommended that the City not process any requests for payments without a proper invoice.

- The City needs to improve the quality of the year end binder provided to the Auditor. Suggestions were provided on how this could be done.

- As well, it was noted that there were occasions where the department head and or second signatory had not signed off on time cards.

- Auditor advised management and those working in this program ("Class" program) to improve technical skills of how to use this program.

- The auditor noted that amortization was being expensed on capital asset additions in the year of acquisition. The policy in place for the Regional Utilities Service Commission is that no amortization should be expensed on additions in the year of acquisition. They corrected this matter in the audited financial statements.

- The debentures are being expensed using old municipal accounting policies. To keep in line with current Canadian Generally Accepted Accounting Principles the only entry required is the principle and interest to be netted against the debt.

- The Auditor did not detect any fraudulent or illegal activities, or material misstatements resulting from fraudulent or illegal activities during our audit. Nor did they encounter any specific internal control matters that should be brought to Council's attention.

The Auditor also carried out addition work for 2007 and 2008, this included:

1. Review of grant financial information for Alberta municipal affairs

2. Specified procedures for purchases using corporate credit cards.

For the 2007 year end, the auditor also conducted specified procedures in connection with assessing the implementation of two randomly selected By-Laws.

The auditor reported that all items examined under the above three procedures were in compliance with relevant policies.

15.7.4 Our Findings

The auditor raised significant issues in the Management letter for the audit of the year ended 2004. These included deficiencies in key reports to management and the financial position of the City. Management addressed many of the concerns in the following year, though the auditor still expressed concerns with the financial position. Starting with 2006, the auditor's management letters no longer raised significant issues. It is evident that management addresses the control concerns raised by the auditor. The auditor did not make any observations on the financial position of the City in the years 2007 and 2008. We conclude that the issues of

concern have now been addressed and that the auditor believes that the City's financial management is satisfactory.

16.0 The Dissolution of Cold Lake

16.1 Background

What is municipal dissolution? From the Alberta Municipal Affairs website, we find the following:

> "Municipal dissolution is a legal process of local government restructuring established by the *Alberta Municipal Government Act*. In dissolution, a municipality gives up its incorporated status to become part of a bordering municipality."

Why might municipalities dissolve?

> Dissolution may be a good option for a municipality to consider when:
>
> • it cannot balance its revenues with its required expenditures;
>
> • it is no longer viable;
>
> • vacancies on the municipal council cannot be filled; or,
>
> • the community can be operated more effectively or efficiently as part of a bordering municipality. In some cases, restructuring in the form of dissolution may not be the best solution for local issues if other processes prove to be better options.

How does municipal dissolution start?

> First, the Ministry of Municipal Affairs and Housing must complete a dissolution study. The study can be initiated in one of three ways:
>
> Council Request: A municipal council can request the Minister of Municipal Affairs and Housing to undertake a study.
>
> Petition: The residents of a municipality can petition the Minister to undertake a study, in which case, the petition must include the signatures of eligible voters totalling at least 30 percent of the population (50 percent for summer villages).
>
> Minister's Discretion: The Minister may undertake a study if there is reason to believe dissolution may be in the best interest of the residents.

What else happens in the process?

> The dissolution study examines the finances, services, and governance of the municipality, providing clear information for the Minister and residents. It also projects the likely scenario if the municipality were to dissolve and become part of a surrounding municipality. Typically, to conduct a dissolution study, Municipal Affairs and Housing staff will explain the process to the involved municipal councils, and the residents of the municipality considering dissolution. Once the study is complete, the findings are made public. The study findings and any input provided by residents are provided to the Minister. The Minister considers all the information and determines whether additional public consultation is required before deciding whether to recommend dissolution to the Provincial Cabinet.

What happens after a dissolution study?

> If the Minister decides not to recommend dissolution, the process is complete and the municipality would carry on as it did before the study. If the Minister recommends dissolution and it is approved by Provincial Cabinet, an Order in Council is issued to dissolve the municipality and identify the municipality that becomes responsible for providing municipal services to the area. There are many elements that make up a vibrant community, of which municipal government is only one. Community pride, history, and a sense of belonging are all very important aspects of community life that will continue after dissolution."

16.2 History of the Issue in Cold Lake

There has been a lengthy history to this issue of viability/sustainability. We have reviewed correspondence which we summarize as follows:

November 1990 Amalgamation Study

> In November of 1990, Alberta Municipal Services Branch conducted a Financial Feasibility Study of a proposed amalgamation of the Towns of Cold Lake and Grand Centre.

January 1992 Municipal District study

	In January 1992, a disparities analysis report was completed by Applications Manager Consulting Ltd which reviewed the financial sustainability of a proposed city including the Towns of Cold Lake, Grande Center, Parts of the M.D. of Bonnyville and the CFB Cold Lake.
May 1992	Town Plebiscite
November 1992	Amalgamation Study
	In November 1992, the Towns of Grande Center and Cold Lake conducted an amalgamation study included some analysis and governance impacts if CFB Cold Lake were to be included in the new municipality.
December 1992	Municipal Meeting (GC/CL/MD)
December 1992	Request for MLA Assistance (E. Isley)
January 1993	Public Presentation of Amalgamation Study
February 1993	4 Wing Cold Lake Study
April 1993	Medley Presentation of Petition
June 1993	Mayors/Commander Meeting
June 1993	Request for MLA Assistance (L. Vasseur)
November 1993	Request for Municipal Affairs Assistance
January 1994	Municipal Affairs Restructuring
February 1994	Joint Municipal Meeting
	The purpose of the meeting was to discuss a fair distribution of resources for the area with maximum cooperation between municipalities and their residents. At this meeting, the ADM of Municipal Affairs J. McGowan presented an update on the options and on the Provincial mandate (currently facing cutbacks in grant programs due to the economic realities). In response to a discussion regarding amalgamation, Mr. McGowan responded that the Province would get involved and legislation could be set.

February 1994	The Mayor of the then Town of Cold Lake forwarded her request for the municipalities to consider three restructured municipalities with revised boundaries and one major urban core per region. This would have presumably provided an equalization of revenue between the three regional municipalities (based on a pooling of assessments from industry, agriculture and residences into one common government).
February 1995	The Towns of Grand Centre and Cold Lake met with the Minister of Municipal Affairs
May 1995	The MD declined to discuss the matter of revenue sharing with the Towns due in part to its recent restructuring (the former Improvement District 18 was absorbed by the MD)
	The Minister declines to meet with the Towns to discuss municipal restructuring
October 1995	The Town of Cold Lake passed a resolution asking the Minister to conduct a dissolution study (relative to Sec 130(2).
December 1995	The Mayor of Grand Centre in a letter to the Minister regarding the need for a restructuring in their area; the letter refers to the grants in lieu arrangements with CFB 4 Wing; the need for a regional approach similar to that recently approved in the Fort McMurray region.
December 1995	The Minister (T. Thurber) agreed that his staff (J. McGowan) would be assigned to work with the Town in developing restructuring options
January 1996	The then Town of Cold Lake published a newsletter to its citizens outlining why it felt that a dissolution study was appropriate; the newsletter spoke to such issues as: population growth and the demand for more services; the impact of high debt of the Town; no arrangements with the MD to share industrial taxes; over 60 % of Cold Lake population

works in the MD according to the January 1996 letter; grants were decreasing; costs of services had been increasing; difficulty in providing current programs and in maintaining the infrastructure; possible reduction in number of governments in the region.

October 1996   Originally three (3) separate entities, Cold Lake was created on October 1st 1996 by the amalgamation of Medley (Canadian Forces Base 4 Wing), the Town of Grand Centre and the Town of Cold Lake. Once amalgamated, Grand Centre was referred to as Cold Lake South while the original Cold Lake was referred to as Cold Lake North.

October 2000   The newly-created municipality achieved City status on October 1st 2000.

November 2006

Municipal Affairs facilitated a mediation session in November of 2006. Ministry staff met individually with the M.D. of Bonnyville and the City of Cold Lake to discuss different options available for addressing inter-municipal issues. Ministry staff also facilitated a one day joint session between the M.D. of Bonnyville and City of Cold Lake.   Options discussed included regional governance, annexation, and amalgamation, cost-sharing and regional commissions.

May 2007   On May 17th 2007 following the mediation exercise the four (4) communities signed the Regional Community Development Memorandum of Understanding. This agreement contained some high-minded principles including recognition by the MD that the incorporated "urbans" within its boundaries were a part of its environment and contributed to the quality of life; share of prosperity; equal access to all services; and that the MD desires to support the community development in the region through sharing its economic growth. The agreement

	provided for funds to the urban municipalities (Cold Lake, Bonnyville, Glendon) over and above the funds being contributed via other inter-municipal agreements. The agreement also outlined conditions under which the MD could opt out of its agreement to fund, including the notion that any pursuit of an action for amalgamation, annexation or dissolution would result in a forfeiture of the agreed upon funding. The agreement required the M.D. to transfer funds over the three years (2007-09) of $483,532; $638,262; $725,298.
November 2007	Immediately following the 2007 municipal election, the Mayor of Cold Lake made a presentation to the Council of the MD of Bonnyville; that presentation covered the following: o The Regional Community Development Memorandum of Understanding o Funding for the Energy Centre and Sports Fields at Imperial Park o 16TH Avenue and English Bay Road Improvements o Emergency fire vehicles o Highway 55 and 28 Challenges o School Resource Program
January 2008	The Reeve responded to the Mayor's presentation requesting for support on various projects and reminded the City that the MD was contributing $619,123 as per the Regional Community Development Agreement.
January 2008	Council passed two motions impacting this issue: (2008-023) the Council passed a motion to respond to the MD of Bonnyville's decision to not fund any of the projects identified in the Mayor's funding request presentation, delivered to the MD Council on January 22, 2008

❖ At that same meeting, Council moved to adopt the Financial Sustainability Action Plan as amended. The impact of the change was simply to amend the dates from July to September

❖ The Financial Sustainability Action Plan (drafted by the Mayor) was presented to Council via a RFD process at its January 22nd 2008 meeting. This Plan sets forth the steps the City proposes to take in order to "...work on addressing the inadequacies that are taking place in our region and to ensure that the residents of Cold Lake receive an acceptable level of service for their tax dollar". The steps were to culminate in December 2008 with the City prepared to "Move forward with Fair Share Action Plan".

April 2008	City of Cold Lake worked with the Alberta Treasury Boards Oil Sand Secretariat to review and develop strategies regarding Cold Lake's Infrastructure Deficit.
August 2008	City of Cold Lake developed a list of infrastructure projects with the Oil Sands Secretariat that were priority project for consideration for one (1) time funding from the Province of Alberta.
September 2008	At the September 23rd 2008 regular meeting of Council the Council approved a resolution to make application for a Community Capacity and Sustainability Study under the 2008/09 Municipal Sponsorship Program.
April 2009	Infrastructure projects submitted through the Oil Sands Secretariat did not receive any one time funding from the Province of Alberta
June 2009	On June 9th 2009 the City received a Notice of Motion to request the Government of Alberta to conduct a dissolution study on the City of Cold Lake. That motion was deferred on June 16th 2009 to August 11th 2009. This was requested by the

Province to allow the proposed mediation study to be conducted. It is understood that since 1990 that 52 communities have completed dissolution studies and 24 have been disbanded. The notice of motion was presented to have Alberta Municipal Affairs "conduct a dissolution study …to understand the impacts of dissolving, amalgamating or creating a new regional municipality with the adjacent municipalities including the MD of Bonnyville and/or Lac La Biche County." This "notice of motion" was placed on the June 22nd meeting of Council for discussion and approval. The Issue Report cites the following:

o Neighbouring municipalities have not been open to discussions and/or negotiations with the City of Cold Lake regarding an Oil Sands Based Revenue Sharing Agreement and partnering with the City of Cold Lake in developing a solution to strengthen our region for future sustainability and quality of life. The City … is frustrated that the advice from the Province of Alberta is that this issue is an urban and rural relationship issue, and our neighbouring municipalities feel that this is a Provincial policy issue".

Summer 2009   The Province orchestrated a mediation process for the region in the summer of 2009. This process was coordinated by two experienced professionals (J. Byron, B. Sutherland) who held meetings with the City, MD, Town of Bonnyville and Village (Glendon).

August 2009   At the regular Council meeting of August 11th 2009 Council supported a motion to postpone the request for the dissolution study until after the completion of the mediation process requested by the Province or until October 13th 2009, whichever came first.

September 2009	The mediation process was concluded on September 3rd 2009 with the Regional Community Development Agreement being signed by the MD of Bonnyville, Town of Bonnyville and the Village of Glendon. This process resulted in a proposed regional agreement as developed by the MD of Bonnyville. The City's mediation team did not feel that the agreement resolved the long term issues relative to the assessment disparity; that it did not meet the mediation mandate set out by the Minister; and that it ignored the "…social/economic impact assessments for industrial developments…"(see Issue Summary Report, Cold Lake, September 8th 2009)

September 2009 At the September 8th 2009 regular meeting of Council it was moved that the Council accept the MD of Bonnyville's proposed Regional Community Development Agreement which was proposed at the September 3rd mediation session. That motion was defeated. At the same meeting the motion was passed (four in favour, one absent, one opposed, one position vacant) to ask Municipal Affairs to proceed with the afore-mentioned dissolution study and to consider the following options:

- o "Option 1-Dissolve the City of Cold Lake and join the Municipal District of Bonnyville
- o Option 2- Create a new regional municipality of Cold Lake…that would take in some of the oil sands industrial assessment creating a balanced assessment between the MD of Bonnyville, Lac La Biche County and the new Regional Municipality of Cold Lake
- o Option 3- Provide grant funding from the MD of Bonnyville and Lac La Biche County that balances the assessment disparity that has been created by the oil sands growth in

this region and factors future oil sands growth into the calculation

- o Option 4- That the Minister assign the Cold Lake Air Weapons Range land assessment and service delivery to 4 Cold Wing Cold Lake within the municipal jurisdiction of the City of Cold Lake."

October 2009   Council held a Community Town Hall meeting regarding the proposed dissolution on October 19th 2009 for local citizens to be brought up to date with the concerns of the Council in relation to the City's financial condition.

In 2006, Austrom Consulting Ltd. was commissioned by the City, Town and the M.D. to examine a series of issues. The consultant produced a series of reports as follows:

1. Bonnyville Cold Lake Regional Partnership Governance - Review Committee Structures - This report set out various governance models and processes. It also included a communication agreement.

2. Bonnyville Cold Lake Regional Partnership - Shared Service Review (Recreation Emergency Services Planning) – This report reviews shared services opportunities for the City, Town and M.D.

3. Property Tax Comparison – This document disclosed that M.D. levied a significantly lower property tax than the City or Town. The report states that there is a need for a detailed analysis of the possible options.

4. Cost Sharing vs. Revenue Sharing Town of Bonnyville, City of Cold Lake & M.D. of Bonnyville – This document recommended that:

   a) That all cost sharing agreements be reviewed to ensure that the cost of providing services to rural residents is fully covered.

   b) That the Council of the M.D. of Bonnyville give consideration to providing additional funding to the urban municipalities that reflects that these municipalities provide services for the energy based economy, either through

      i. a revenue sharing agreements, or

ii. cost sharing agreements that include an assessment component.

Additional documents provided include Bonnyville Cold Lake Regional Partnership Committee Terms of Reference, and Bonnyville Cold Lake Regional Partnership – Investigating the Creation of a Regional Subdivision and Development Appeal Board.

We were advised that many of the suggestions were rejected in part at least because of the perception that there was a bias towards regional government.

The only item that all three (3) municipalities could agree upon was reviewing further regional opportunities utilizing the Alberta Municipal Affairs "Regional Exploration Grant". Subsequently, the municipalities formalized a "Bonnyville Cold Lake Regional Economic Development Strategy".

The Inter-municipal Development Plan Committee approved five (5) objectives for the committee which included:

- Create efficiencies through cost sharing (requirement for the M.D. of Bonnyville)
- Enhance communities through the provision of better services;
- Facilitate growth through coordinated municipal actions;
- Enhance municipal autonomy through participation in decision making; and
- Increase municipal capacity through better planning and coordination.

The committee reviewed opportunities including:

- Regional Business Licensing;
- Regional Subdivision Development Appeal Boards;
- Regional Economic Development;
- Regional Planning Commissions:

Upon further discussion and debate, a grant application was submitted under Alberta Municipal Affairs "Regional Partnerships Exploration Grant" which included the following elements:

- Preparation of a Regional Recreation and Culture Master Plan;

- Bonnyville); and

- Regional Business License Program.

It should be noted that the grant application was successful and a grant agreement was signed however during the mediation process in 2009, all participating municipalities requested that the projects be put on hold and submit a request to Alberta Municipal Affair to change the grant application to specifically prepare a regional economic development strategy.

16.3 Our Observations

The City Council (and the Mayor in particular) has led the process towards the dissolution request. The timeline presented by the Mayor to Council indicates that it is the Council that is determined to make this issue "stick".

In Ministerial Order No. L:077/01, the Government set out criteria to be used in assessing if consideration should be given to dissolution. The Order states:

"Except as otherwise provided by the Minister, the following principles, standards and criteria shall be applied when considering an application for a study of municipal restructuring pursuant to Part 4 of the Municipal Government Act:

1. Municipal restructuring includes the formation, amalgamation and dissolution of municipalities.

2. The following matters should be taken into account in considering proposals for municipal restructuring:

    (a) the financial viability of the affected municipalities;

    (b) the effects on the council structures, administrations, services and operations of the affected municipalities;

    (c) the population of the participating municipalities, and the resulting effects on the political representation of the affected communities;

    (d) whether an appropriate process has been used to initiate and develop the municipal restructuring proposal pursuant to Part 4 of the Municipal Government Act; and

    (e) whether the process used has adequately identified the impacts of

restructuring on the affected municipalities.

3. The formation process is appropriate when the restructuring will result in the creation of a new municipal government unit from one or more existing municipal governments or improvement districts.

   (a) the formation of a new municipal government will be considered if the ongoing financial, political and operational viability of the new and remaining municipality or municipalities is likely to be achieved.

   (b) the formation of a new municipal government should not be considered if it will result in an increase in the total number of municipal governments in Alberta.

4. The amalgamation process is appropriate where two or more municipalities are joined to form a new municipal government unit with a new council and administrative structure that is significantly changed from the pre-existing structures of the affected municipalities.

   (a) Amalgamation will be considered if there are demonstrable advantages to the residents of the affected municipalities and if the ongoing financial, political and operational viability of the amalgamated municipality is likely.

5. The dissolution study process is appropriate where the intended restructuring does not require major changes to the council structure, administration or operation of the receiving municipality.

6. A dissolution study is not appropriate when the request raises broader regional issues that can be better addressed through another process such as a regional initiative or inter-municipal mediation.

7. If there are ongoing, and unique requirements for the new municipal government proposed as a result of a municipal restructuring process, consideration will be given to the use of specialized municipal status pursuant to section 83 of the Municipal Government Act.

8. The Minister may direct the use of an appropriate study process on

the receipt of any application for municipal restructuring."

The question is not so much one of: "do we agree with all of the decisions of this Council?" but, rather, "Is this Council functioning in a manner that appears to be consistent with the purposes of a municipality and the roles ascribed to the Council?"

The rhetoric in the correspondence between the municipalities does not serve the region well. We note that the tone of the correspondence between the City and the M.D. in particular does not reflect professional courtesy nor regional neighbourliness. While we recognize that this is a difficult issue which has a lengthy history to it, the discourse (both written and verbal) must be appropriate to the offices held by the respective parties. (This applies to the Town of Bonnyville as well). The correspondence that is signed by the Mayor/Reeve of the respective municipalities (regardless of who actually drafted the correspondence) ought to be such that anyone reading it will be impressed by the politeness/civility of tone even when a tough issue is being debated.

The context surrounding the City is important in trying to determine whether or not the Council is providing the type of leadership as it should. The previous Councils had faced significant challenges in adjusting the City's tax rates to raise sufficient revenues to allow services to be provided. While much of this dilemma had as much to do with the decisions of past Councils not to raise taxes as it did with what the Council saw as an imbalanced approach to accessing the revenues of the Municipal District, the Council then as now seemed to perceive that its progress in achieving sustainability rested on their efforts to gain access to a much larger slice of the revenue pie.

Further, we also recognize that the City of Cold Lake has for some time believed that its rural neighbour (the M.D.) was treating the Town of Bonnyville in a much more generous fashion, thus garnering the perception locally of being "the poor cousin". This perception has been played up by the local media (and by Council) and has been one of the causes for aggravation with the M.D. We note that this perception is based in part on the contribution which the M.D. has made to the Bonnyville Centennial Centre and Airport. Based on discussions between the M.D.

and the Town of Bonnyville, the Centennial Centre is 50% owned by the MD for its residents through a Part 9 company agreement (the same type of agreement which the M.D. offered to the City but which the City refused). As for the Airport, the three municipalities together commissioned a study to look at all the existing airports as choices to become a regional airport. The Bonnyville airport was chosen by an independent firm as the best location because of its ability to expand, its ideal physical orientation and the fact that it was out of the 4 wing fly zone. All three municipalities had agreed to partner in the regional airport, but the City Cold Lake opted not to.

Immediately following the 2007 election, the Mayor of Cold Lake made an appointment to address the M.D. Council to state the City's position regarding fiscal equity. This presentation was not received very well by the M.D. who saw it as overly aggressive and not in keeping with any effort to build a stronger relationship. The Mayor believed that he was simply trying to re-state the position of the City in clear terms and to break the logjam surrounding the issue of revenue-sharing.

It is clear in our discussions that the relationships between the City and the Municipal District have weakened over the past few years. (We will deal with the City-Town of Bonnyville relationship as a separate but inter-related issue). While the relationships have not stopped relatively cordial greetings of each other at meetings or social functions, the rift between the two as a result of seeing the financial issues quite differently has widened. This has been due, in our opinion, to several factors:

- Regardless of the experience in local government by members of Council there is insufficient recognition and therefore respect for the role of each Council to get the best possible "deal" for their respective citizens. The M.D. Council has a very different audience than that of the City. The populations of both are quite different and equally so their expectations are also quite distinct. The expectations that each place on their respective Councils is, as a result, substantially unique.

- The approach taken to resolve the perceived fiscal imbalance by the City has resulted in a seemingly "all or nothing" stance. This has distanced the M.D. in that its leadership has felt that they have been reasonable in their contributions to City projects which are defined as being of benefit to the residents of the M.D. as well. A review of past funding contributions by the M.D. to City projects reveals a level of cooperation that would compare well with rural-urban neighbours throughout Alberta.

- We were advised that rural-urban relationships have not always been as strained as they seem to be at present. The previous 2004-07 Council managed to get the M.D. on side relative to the significant needs it was facing. This resulted in approval for funding assistance for the new Energy Centre and a very major increase in cost-sharing through the regional agreement which has netted the City an increase from $55k in 2003 to approximately $750,000 in 2009, the concluding year of the agreement. This was perceived by both parties as a solid base upon which further funding might be established.

- The M.D. has not responded well to what it perceives as aggressive tactics by the City of Cold Lake. Comments in the local media which seem to suggest that the M.D. needs to "get onside" relative to new projects and changes in direction relative to regional water projects are seen as harmful to the relationship and not as inducements to positive change. This approach by the City, whether planned or spontaneous, is ill-considered and does nothing to enable constructive movement towards a sound fiscal base.

- The M.D. has a contrasting situation with the Town of Bonnyville and Village of Glendon. Both have voiced their support for the progress they have made in terms of gaining additional revenues for their operations. The Village (pop.489) relies on the M.D. Council to treat it like it does the Town of Bonnyville and believes that the M.D. has been fair in its approach. According to the Mayor of the Village, the MD provides staff assistance when that is needed; equipment assistance when that is needed; and financial assistance on an ongoing basis. It is apparent that the M.D. treats the Town and Village

differently than the City. For example, the MD made a considerable financial contribution to the recreational center in Bonnyville through capital and annual operating funding. The City does not enjoy the same benefits.

The Town-City relationship has also soured over the past few years. This we believe has been due at least in part to the sense that the Town has decided to ally itself with the M.D. as a better approach in terms of gaining the latter's cooperation and funding on specified projects. This strategy has according to the Town been successful for them but which they recognize has also been the source of grief between the two urban neighbours. The fact that the Town has been more successful in recent years (at least as perceived by the City) has not augured well for the relationship between the two urbans (which under other circumstances might be expected to have "ganged up" on the M.D.). In part the relationship has suffered through the unwelcomed sniping about the City's management or increases in staffing or other factors. In some instances this has been personalized or has resulted in the administration of one municipality being involved in the politics of the other. The expected respect of one administration and Council to the other has been missing, an issue which both municipalities must address.

16.4   Government Research Report on Sustainability
In 2009 the Government commissioned a sustainability study. The report dated July 7, 2009 was compiled by Alberta Municipal Affairs and Oil Sands Sustainable Development Secretariat of Alberta Treasury Board. The report sets out the issue as follows:

> "An increasing revenue gap between urban and rural municipal financial trends is occurring across Alberta. Rural Counties and Municipal Districts are benefiting from increased linear, machinery, and equipment assessments, while urban municipal assessment revenues do not increase at the same rate. This trend informs the intermunicipal issues arising between the City of Cold Lake and the M.D. of Bonnyville. Revenue discrepancies and sharing are central to their tensions.
>
> The City of Cold Lake is concerned that while the M.D. experiences increased assessment revenues resulting from oil sands development, it is urban areas which bear costs associated with housing and servicing the

region's workers. In an effort to assist urban areas with the strain that may occur on their services due to development within the M.D.'s boundaries, the M.D. of Bonnyville entered into a *Regional Community Development Memorandum of Understanding* in 2007 with the City of Cold Lake, Town of Bonnyville and the Town of Glendon. Unfortunately, the City of Cold Lake feels the agreement, which comes to an end in 2009, does not effectively address their concerns. Given the circumstances, further research was deemed appropriate.

The Report pointed out a number of issues with respect to the M.D and the City. These included:

"Although a long-standing history of lack of cooperation between the City of Cold Lake and the Municipal District of Bonnyville exists, the two parties have been able to collaborate in order to address mutual needs in certain areas…the 21 agreements and partnerships currently in place."

The authors of the report also point out that even though there are many areas of cooperation there are significant examples of lack of cooperation, such as:

- The Cold Lake Airport at the military base received approval for regularly scheduled flights while the M.D. of Bonnyville Regional Airport is trying to attain the same approvals.

- Both municipalities built public recreation facilities recently. The M.D. of Bonnyville does assist with marketing the Cold Lake Energy centre on the M.D.'s website.

The report goes on to say that

"It should be noted that both the M.D. of Bonnyville and the City of Cold Lake's recreation centers and airports are less than 50 kilometres apart, creating overlapping service areas and consequently increased competition for a relatively small population base. Through a regional development approach, facilities more financially suitable and complementary may have been developed instead of in a non-cooperative and competitive manner."

The following table was included in the report to illustrate the nature of services provides by both recreation centres.

Table 1 – Sports Facility comparison		
	M.D. of Bonnyville and District Centennial Centre	Cold Lake Energy Centre
Cost	$25,000,000	$21,000,000
Facilities	Wellness Centre	Wellness Centre
	Indoor Track	Indoor Track
	The Agriplex/Specialized Room Rentals	meeting and recreation rooms
	Indoor Playground	Children's Play Area
	Field House	Field House
	Various Sports and Recreation Facilities	Various Sports and Recreation Facilities
	Conference Services	Conference Services
	Movie Theatre	
	Climbing Wall	
	Ice Surfaces	

In discussing the issue the report states

"Revenue gaps and cost sharing are central to the intermunicipal tensions. Cold Lake feels its increased housing and servicing responsibilities, brought about by oil and gas development in the M.D. of Bonnyville, are not fairly balanced through the existing tax structure. Despite these issues, the City and M.D. have collaborated in many areas for the sharing of services as identified in the Regional Community Development Memorandum of Understanding signed by all 4 municipalities. Some of the services included are for Family and Community Support Services; Libraries; Fire; Ambulance; Airports and Peace Officers."

The conclusion in the report set out the following:

"These high growth municipalities showed strains on municipal infrastructure and debt loads greater than those in the other comparator groups including the M.D. of Bonnyville and the City of Cold Lake. The data examined suggests that fiscal viability is not a threat to the M.D. of

Bonnyville or to the City of Cold Lake. Both the M.D. and the City appear fiscally viable given that:

- revenues consistently exceed expenditures;
- assessment levels increased annually in both municipalities, indicating a growing assessment base;
- debt servicing payments can be increased by more than 50% in either municipality before reaching the debt servicing limit; and
- actual debt is less than half of the municipalities' maximum allowable limit.

If the money to make larger debt servicing payments is currently unavailable, increased debt servicing expenditures could be offset by increased municipal tax rates.

Furthermore, when comparing both the M.D. of Bonnyville and the City of Cold Lake to data displayed among the three comparator groups, few anomalies were brought forth, suggesting neither municipality is undergoing unique development pressures."

In the Executive Summary of the report, the authors state that:

"The critical issues in the Bonnyville – Cold Lake area stem from a history of inter-municipal competition and perceived fiscal imbalance. As these issues will not likely be addressed, a comprehensive mediation process is recommended."

The following quotes from the report illustrate some key factors:

- "The revenue and expenditure data examined reveals both Cold Lake and the M.D. are producing surpluses on a per capita level similar to those of other municipalities. Furthermore, reserve funds exist for both municipalities. Although Cold Lake's reserve fund has diminished in recent years, it has shown a general increasing trend over the past 4 years and is larger than it was 3 years ago. Based on these annual surpluses, increasing reserve funds and the expenditures discussed in the above and in section 4.2, the fiscal viability of the M.D. and the City do not appear threatened."

- "Both the City of Cold Lake and the M.D. of Bonnyville have rising debts while other municipalities are slowly paying theirs off. The City of Cold Lake's debt load is roughly five times larger than the M.D. of Bonnyville's. Despite both municipalities' increasing debt, neither the City nor the M.D. has reached its debt limit. Both municipalities show opportunities to pay down their debt faster through larger servicing payments. If the money to do so is currently unavailable, larger debt servicing payments could be met through increased municipal tax rates."

- "With respect to Cold Lake and the M.D. of Bonnyville, both municipalities are following general trends seen within their respective urban and rural counterparts. The M.D.'s tax rates are consistently lower than Cold Lake's indicating revenue collection priorities likely differ between the two municipalities."

- "When reviewing the comparator data, the City of Cold Lake appears to be managing well and coping in a similar manner to municipalities of similar size and similar industry in all areas except for municipal debt. Municipal debt is higher in Cold Lake than its municipal comparators."

- "The M.D. of Bonnyville appears to be similar to its rural comparator groups too, the only exception being the Regional Municipality of Wood Buffalo, which has experienced unusually rapid and high growth rates requiring advanced infrastructure investment. Based on the data there may be opportunity for Cold Lake to adjust its tax rates for residential and non-residential assessment."

- "When comparing the M.D. of Bonnyville with Cold Lake, differences appear. The M.D. has a much greater non-residential assessment base, allowing for lower per capita rates. Although road expenditures are costly to the M.D., the City has higher waste management and infrastructure servicing expenditures. Based on the data, the M.D. appears to have better cash flow and resources than Cold Lake. It may be beneficial for the M.D. to identify regional municipal service delivery and financing opportunities. This could

facilitate effective allocation of resources in what will likely be a higher growth area when oil sands development increases."

The report concluded with respect to the question of viability that:

- "While both the M.D. of Bonnyville and the City of Cold Lake experienced population growth during the past 10 years, the data considered does not show growth creating a significant financial strain on the municipality.

- The data examined suggests that fiscal viability is not a threat to either municipality.

- Both the M.D. of Bonnyville and the City of Cold Lake appear fiscally viable given that:

  ➤ revenues consistently exceed expenditures;

  ➤ assessment levels increased annually in both municipalities, indicating a growing assessment base;

  ➤ debt servicing payments can be increased by more than 50% in either municipality before reaching the debt servicing limit; and

  ➤ actual debt is less than half of the municipalities' maximum allowable limit.

  If the money to make larger debt servicing payments is currently unavailable, increased debt servicing expenditures could be offset by increased municipal tax rates.

  Furthermore, when comparing both the M.D. of Bonnyville and the City of Cold Lake to the data displayed among the three comparator groups, few anomalies were brought forth, suggesting neither municipality is undergoing unique development pressures. Anomalies that were noted tended to be in areas like the Regional Municipality of Wood Buffalo and the Grande Prairie Region, which have seen significant population growth and oil sands activity."

In general terms, the results of numeric analysis conducted as part of our assessment and which follows conforms to the results developed for the Government's study.

17.0   Sustainability and Disparity

17.1   The Need for Definitions:

Before proceeding, it would be worthwhile to take note of the advice given by the 18th century French philosopher, Voltaire, and the 20th century American historian Will Durant.

> *"If you wish to converse with me," said Voltaire, "define your terms." How many a debate would have been deflated into a paragraph if the disputants had dared to define their terms! This is the alpha and omega of logic, the heart and soul of it, that every important term in serious discourse shall be subjected to the strictest scrutiny and definition. It is difficult, and ruthlessly tests the mind; but once done it is half of any task. Will Durant, The Story of Philosophy (Chapter 2, Aristotle and Greek Science, Part 3, The Foundation of Logic).*

The underlying issues in Cold Lake can be captured within two concepts; sustainability and disparity. We need to define what we mean by each of these terms. Sustainability entails using resources in such a way that the resources are not depleted or permanently damaged; it is the "practice" of using sustainable methods. Whereas disparity describes a "state" of difference where there is inequality or unfairness. At the definitional level sustainability and disparity are mutually exclusive concepts.

Senior administration acknowledges that Cold Lake is operationally viable on a day-to-day basis, but not sustainable in the long run. If we consider the definitions of viability and sustainability we find that these two words are actually synonyms. It is the professed disparity within the region that results in the distinction between these two synonyms. The perceived financial sustainability of Cold Lake is the result of the apparent disparity of tax revenues within the region. We need to distinguish between these two issues and deal with them separately.

Sustainability: It has been acknowledged that Cold Lake can operate on a day-to-day basis, however, the long-term replacement and maintenance of existing and planned infrastructure is a major challenge. From a purely budgetary stand point, taxes can always be raised or service levels decreased to balance the budget. However, Council does not have an appetite for increasing taxes and yet, at the same time, is very focused on building a new arena. The refusal to either increase taxes or user fees and the refusal to decrease service levels combined with the insistence on incurring yet another major capital expenditure (the Arena) may actually create a non-sustainable situation.

Disparity: There is a disparity in tax revenues between the M.D. of Bonnyville and the other municipalities in the region. The awareness of the disparity in linear taxes between the City and rural neighbours has resulted in the political perception of non-sustainability. It is believed by Council (and supposedly the residents as well) that the primary cause of difficulties is the tax base. It is believed that through amalgamation or the changing of boundaries the problem will be rectified.

It is argued by senior administration that the rationale for focusing on the revenue sharing approach stems from the need to develop an inclusive regional vision, whereas (as with any business enterprise) when the attention is focused on expenditures the "mindset of minimization" sets in (i.e. reducing expenditures to the smallest possible amount), rather than focusing on long-term planning and growth. Senior administration's rationale is to avoid the minimization mind set and to focus on improving cash flow from the MD or in absence of this, dissolution. As we note in other areas of this Report, these are not the only options.

17.2 Summary of Financial & Demographic Analysis:

Population Demographics: Over the past decade the regional population grew by 8.3%, whereas the City of Cold Lake's population only grew by 1.7%. Eighty-four percent (84%) of the region's growth occurred in the Town of Bonnyville and the MD of Bonnyville.

Over the next 20 years the region's population is forecasted to grow by 14%, reaching a total regional population of approximately 36,000 people. Cold Lake's population is forecasted to be between 16,000 and 17,500 people in 2031. These forecasts assume a status quo in economic growth; if significant additional growth occurs in the oilsands sector, then these forecasts should be adjusted accordingly.

The City of Cold Lake accounts for 40% of the region's population, and has a younger population than the surrounding region, Alberta, and Canada. The City of Cold Lake also had the lowest unemployment rate and lowest incidence of low income in the region in 2006. A younger population with lower unemployment and poverty rates means that Cold Lake has a sound population base from which to grow.

Comparison of Finances – 11 Similar Municipalities: Comparing Cold Lake's finances to eleven municipalities of similar population size and industry mix, it was found that while Cold Lake's six year average per capita assessment values have been similar to the other eleven municipalities over the years, their operating revenues, net taxes and expenditures per capita have been below average, with a six year average growth that was above average. The reason for this is that Cold Lake's per capita property taxes were **17% to 34% below** comparable municipalities[1] from 1997 to 2006 resulting in the forfeiture of **approximately $20 million** in taxes over this period.

Comparison of Finances – 5 Neighbouring Municipalities: Comparing Cold Lake to the five other municipalities within the boundaries of the MD of Bonnyville again revealed that, while their assessment growth has been similar to the other municipalities, over the past six years, the annual percentage increase in Cold Lake's per capita operating revenues, net taxes and expenditures were well above average due to the low tax rates prior to 2007. In other words, they were "playing catch-up" on their tax rates from 2004 to 2007.

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[1] Our analysis found that the Town of Okotoks and the cities of Camrose and Wetaskiwin were similar to Cold Lake in terms of population size, reserves and debt.

Within the region, Cold Lake has a higher debt per capita, a lower reserve balance per capita, and the highest debt servicing ratio within the region.

Audited Financial Statements: Our review of the Audited Financial Statements found that from 2003 to 2008;

- Consolidated Revenues increased by $33.5 million, or 30.4% per annum, of which $28.6 million was Government Transfers, Net Tax increases, debentures and contributions.

- Government Grants totalled $33.4 million from 2003 to 2008, of which $22.5 million was Infrastructure Grants, Highway Twinning, Basic Capital, and Community Facilities.

- Real Property Taxes have increased by an average annual rate of 17.9% over the past five years, whereas net property taxes have increased by 21.6% per annum.

- Consolidated Expenditures increased by $22.1 million, or 22.8% per annum, of which $18.7 million was for Transportation Systems, Recreation and Culture, and Utility Systems.

- Cash & Short-term Deposits increased by $13 million over the past five years due to land sales and the receipt of grant funding for projects that have not yet been completed.

- Land, inventory and capital assets increased by a total of $51.7 million over the past five years, of which $46.7 million is due to engineering structures over the past four years.

- The Energy Centre and its service road accounts for
  - ➤ $19.8 million (42%) of total engineering structures built from 2005 to 2008, and
  - ➤ $9.75 million (71%) of the increase in Long Term Debt from 2005 to 2008.

- Total reserves in 2008 were $17.2 million, of which conditional grants account for $9.8 million, or 57%.

Capital Assets – Annual Requirements: The total replacement value of the existing infrastructure is estimated to be approximately $329 million, which is 2.86 times the value of Capital Assets that appears in the Audited Financial Statements for December 31, 2008. The average annual cost to replace existing capital assets is $17.6 million per year. However, the useful life that Cold Lake indicated for a number of assets was significantly below the recommended

useful life identified in the Tangible Capital Assets Project Implementation Toolkit. Adjusting the City of Cold Lake's useful life for Buildings, Roadway Gravel, Roadway Surface and Water and Sewer Infrastructure resulted in a revised average annual capital requirement of $11.6 million, as compared to the $17.6 million per year.

The value of capital assets that are older than their expected useful life is $116.2 million. Therefore, the current capital deficit is equal to the $116.2 million less the portion of these assets that are still "useful."

An annual capital requirement of $11.6 million is a significant amount. The City's combined net revenues from both operating and capital funds for 2003 to 2008 averaged $6.7 million per year. Based on historical actuals, it would seem that Cold Lake's greatest risk to sustainability is support of their infrastructure over the long term. This is what the City should be applying its creative energies

	2003	2004	2005	2006	2007	2008
Net Operating Revenue (Expenditure)	1,093,718	1,167,415	3,024,446	3,224,291	4,580,127	4,118,857
Principal Repayments on L/T Debt	(945,003)	(1,044,537)	(1,154,666)	(1,322,301)	(1,388,506)	(1,160,819)
Net Operating Revenue after Principal Payments	148,715	122,878	1,869,780	1,901,990	3,191,621	2,958,038
Government Transfers	1,235,292	727,788	2,986,535	2,419,278	7,507,857	15,432,499
Other Revenues	563,862	451,205	1,245,758	1,139,334	4,968,477	7,322,994
Transfers to Local Boards and Agencies	-	-	-	-	-	(11,419,843)
Transfers to Individuals and Organizations						(2,131,120)
Transfers to Other Governments						(2,290,287)
Other Expenses	(593)					
Net Capital Revenue (Expenditure)	1,798,561	1,178,993	4,232,293	3,558,612	12,476,334	6,914,243
Total Net Revenue (Expenditure)	1,947,276	1,301,871	6,102,073	5,460,602	15,667,955	9,872,281

to as its major funding target over the foreseeable future.

Comparison of Assets – 3 Municipalities: The question then becomes, is Cold Lake significantly different from other municipalities relative to their asset base and their annual capital replacement requirement? To answer this question lists of tangible capital assets were obtained from three other municipalities ranging in size from populations of 5,749 people to 58,501 people. Comparing total assets on a per capita basis found that Cold Lake has 10.3% more in assets than the average of all four municipalities. Applying life-cycle analysis over a 100 year period found that the annual capital replacement requirement is 27.6% greater than the average of the four municipalities combined; i.e. for Cold Lake the average annual capital requirement over the next 100 years is $899 per

person versus an average of $705 per person for all four municipalities. This variance from the average equates to an additional revenue requirement of $2.5 million per year; i.e. 12,860 people X ($899 - $705).

17.3 Conclusion:

Sustainability is a practice that entails using existing resources in such a way that the resources are not depleted. Over the past decade or more Cold Lake has demonstrated an approach to financial management that does not support sustainability. They have held back revenue growth and increased operating costs by;

1. Not increasing property taxes appropriately resulting in the forfeiture of an average of $2.0 million in revenue per year over a 10 year period.

2. Rejecting the regional partnership agreement has resulted in a loss of $1.0 million in revenue per year.

3. Constructing the Energy Centre has increased annual debt payments by $0.8 million and is losing more money than originally planned. The Energy Centre and its service road was a major undertaking; accounting for 42% of the cost of all engineering structures built from 2005 to 2008, and 71% of the increase in their debt load since 2005.

4. if the proposed new arena is built, debt payments will increase by another $0.8 million per year and increase their debt to debt limit ratio to 87%.

Long-term replacement and maintenance of existing infrastructure is a major challenge. Cold Lake has above average debt per capita, below average reserves per capita, and an above average annual capital replacement requirement. While this situation is a challenge, it has been demonstrated that Cold Lake's situation is not unlike other municipalities that are sustainable.

There is a clear disparity in tax revenues between the M.D. of Bonnyville and the other municipalities in the region with respect to linear property taxes[2]. The M.D. of Bonnyville received 49.7% of its tax revenue from linear property in 2008, whereas the City of Cold Lake received 2.2%. Regardless, this is a separate

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[2] The Municipal Government Act empowers municipalities to impose a tax on property, this authority includes linear property, Refer to the MGA sections 353(1) to 358(2).

issue and unrelated to the need for Cold Lake to develop a sustainable strategic long-term plan based on its existing resources. There are 110 other Alberta municipalities that receive a smaller portion of their tax dollars from linear property than does the City of Cold Lake. These same 110 municipalities account for 69% of the provinces total population. There are 14 municipalities with populations between 10,000 and 20,000 people that receive less than 3% of their taxes from linear property. The graph and table below demonstrate that the disparity in linear taxes is not a unique situation to Cold Lake.

For example, there are 124 municipalities, representing 2.4 million people that receive less than 2.5% of their tax revenue from linear property taxes, or an average of $18.03 per person. Whereas, there are 14 municipalities, representing only 63,348 people, that receive more than 60% of their taxes from linear property taxes, or an average of $4,133.27 per person. It is a fallacy to claim non-sustainability because a neighbour receives more money than you. Sustainability is a practise or process that is separate and distinct from disparity, which is a state or situation.

Per Capita Revenue from Linear Property Taxes, 2008
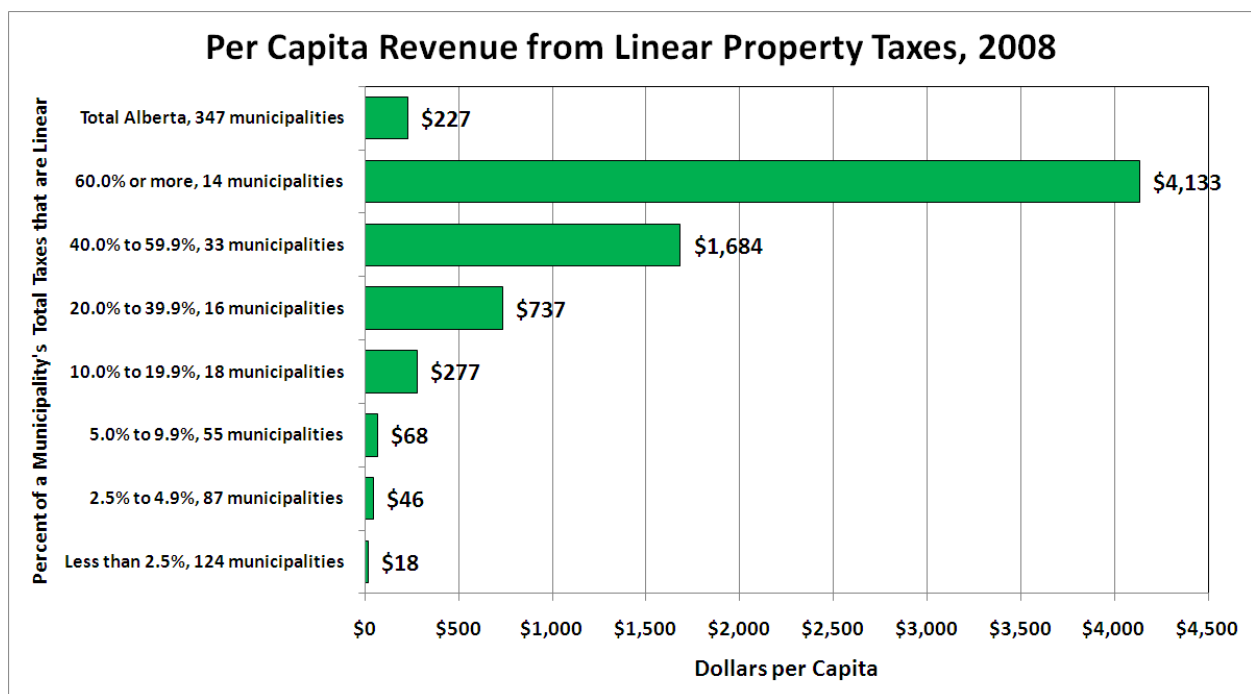
Percent of Municipality's Total Property Taxes	Number of Municipalities	Total Population	Total Property Taxes & Grants-In-Place (millions of $)	Total Linear Property Taxes		
				Millions of Dollars	Percent of Total Linear Tax Dollars (%)	Dollars per Capita
Less than 2.5%	124	2,389,645	$ 3,082	$ 43.1	5.6%	$ 18.03
2.5% to 4.9%	87	345,713	$ 459	$ 15.8	2.0%	$ 45.74
5.0% to 9.9%	55	124,029	$ 132	$ 8.4	1.1%	$ 67.74
10.0% to 19.9%	18	212,468	$ 518	$ 58.9	7.6%	$ 277.25
20.0% to 39.9%	16	81,708	$ 215	$ 60.2	7.8%	$ 736.51
40.0% to 59.9%	33	192,749	$ 630	$ 324.5	42.0%	$ 1,683.52
60.0% or more	14	63,348	$ 389	$ 261.8	33.9%	$ 4,133.27
Total Alberta	347	3,409,660	$ 5,424	$ 772.7	100.0%	$ 226.63

The City of Cold Lake has a younger population with lower unemployment and poverty rates giving it a sound population base from which to grow. Cold Lake needs to develop a strategic long range plan that builds on the positive aspects of the City and the surrounding environment. The planning process should include

• development of integrated vision and strategy

• building public support and acceptance

• signing the regional partnership agreement to reinstate the $1.0 million in revenue.

• A review of all user fees, with a view to increasing them where possible.

• A review of all services, particular those that are in a net cost situation.

• a review of all existing assets, with a view to reducing the annual capital replacement requirement.

• A delay of the construction of the new arena until after the strategic long range plan is completed.

17.4 Summary of Demographic Analysis:

Over the 10 years from 1996 to 2006 there was an 8.3% increase in the region's population, and a 1.7% increase in the Cold Lake's population. Eighty-four percent (84%) of the region's growth occurred in the Town of Bonnyville and the MD of Bonnyville.

Municipality	1996 Census	2001 Census	2006 Census	Population Growth 1996-2006	Percentage Change 1996-2006	Percent of Total 2006
Cold Lake	11,791	11,520	11,991	200	1.7%	39.6%
Bonnyville No. 87	8,977	9,473	10,194	1,217	13.6%	33.7%
Bonnyville	5,100	5,709	5,832	732	14.4%	19.3%
Glendon	418	459	421	3	0.7%	1.4%
Summer Villages	170	186	238	68	40.0%	0.8%
First Nations	1,489	1,579	1,599	110	7.4%	5.3%
Total Region	27,945	28,926	30,275	2,330	8.3%	100.0%
Alberta	2,696,826	2,974,807	3,290,350	593,524	22.0%	
Canada	28,846,761	30,007,094	31,612,897	2,766,136	9.6%	
Source: Statistics Canada						

The City of Cold Lake accounts for 40% of the region's population, and has a younger population than the surrounding region, Alberta, and Canada. The City of Cold Lake also had the lowest unemployment rate, and lowest incidence of low income, in the region in 2006.

The regional population is forecast to increase by 14.3% over the next 20 years. However, based on a comparison of Cold Lake's census numbers to Statistic Canada's census numbers, the consultant's forecast may be under-estimating Cold Lake's population by approximately 12%, resulting in a population forecast of 17,526 in 2031

Population of the Region:

The City of Cold Lake accounts for 40% of the region's population. The MD of Bonnyville accounts for 34%, and the Town of Bonnyville 19%.

Cold Lake has a younger population; 83% of the people are under the age of 50 as compared to 72% in Alberta, and 67% in Canada. Similarly, Cold Lake has a younger population than the surrounding region; 83% of the people are under the age of 50 as compared to 74% in other municipalities within the MD boundaries.

2006 Census - Statistics Canada

Bonnyville No. 87 34%

Bonnyville 19%

Cold Lake 40%

Other 7%

Glendon 1.4%

Summer Villages 0.8%

First Nations 5.3%
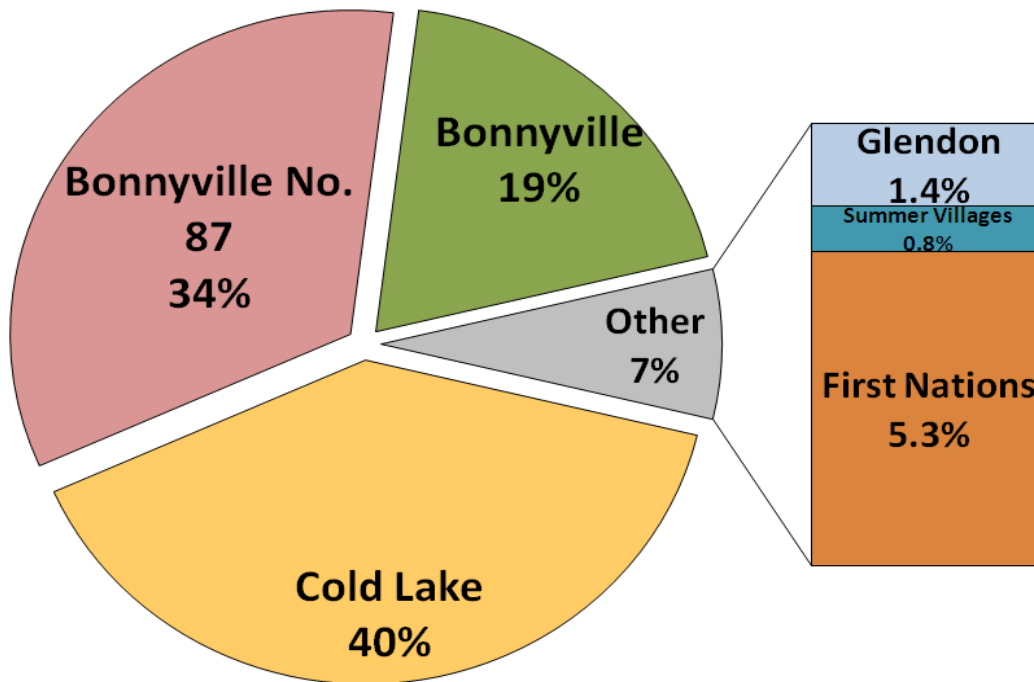
Population by Age Group - 2006 Census, Statistics Canada

City of Cold Lake   Alberta   Canada
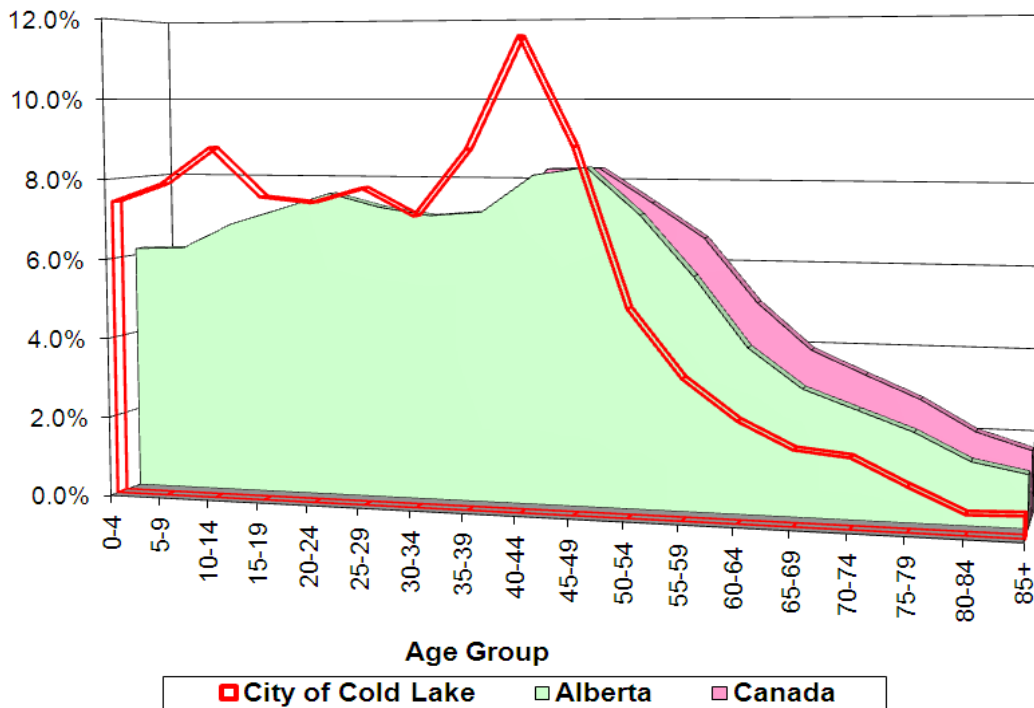
Regional Population Growth:

Over the 10 years, from 1996 to 2006, the regional population grew by 2,330 people (8.3%), from 27,945 to 30,275 people. The Town of Bonnyville and the MD of Bonnyville grew the most, accounting for 84% of the region's growth, or 1,949 people. The City of Cold Lake grew by 200 people, or 1.7%. Cold Lake was the only municipality whose population decreased from 1996 to 2001. On a percentage basis, the Summer Villages grew the most, by 40% from 1996 to 2006. However, this accounts for only 68 people, or 3% of the total growth during this period.

Population Forecast of City of Cold Lake 2001-2031

Source: Statistics Canada with adjustments & estimates by DeBlock Consulting Ltd.

The Consultant's forecast has been increased by 12% to allow for the variance between the census estimates by the City of Cold Lake and Statistics Canada.

Age group	2001	2006	2011	2016	2021	2026	2031
Total	11,520	11,985	13,925	14,698	15,738	16,741	17,526
75 years & older	210	255	372	432	510	641	856
60-74 years	615	720	983	1,317	2,008	2,658	2,590
45-59 years	1,405	2,080	3,121	3,128	2,592	2,176	2,492
30-44 years	3,970	3,295	3,000	3,205	3,876	4,513	4,734
15-29 years	2,155	2,745	3,463	3,542	3,506	3,328	3,341
0-14 years	3,165	2,890	2,987	3,073	3,245	3,425	3,513

1996 to 2006 Change in Population Statistics Canada – 2001 & 2006 Census
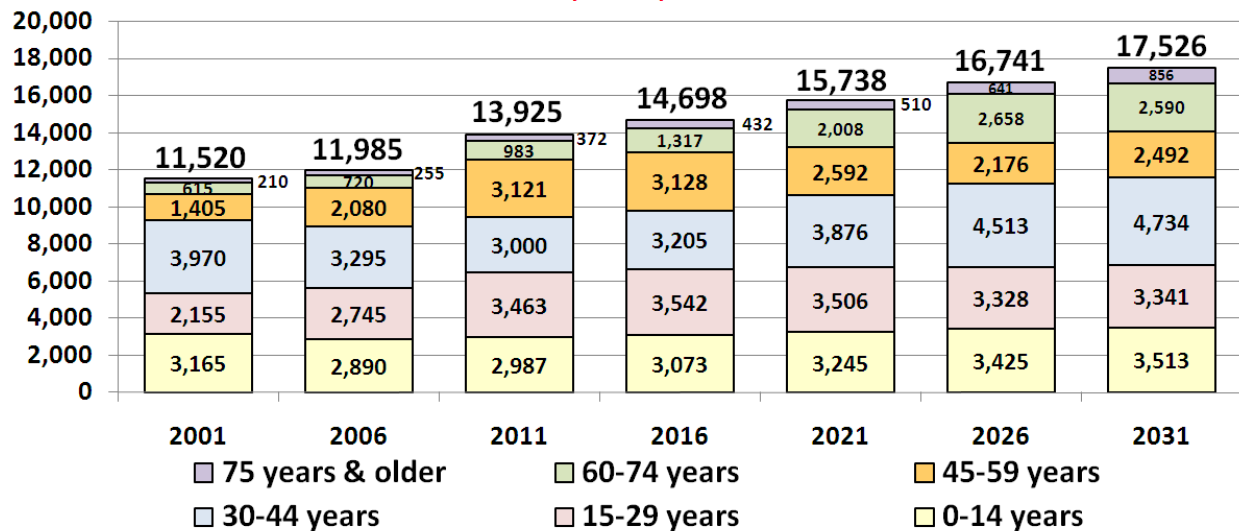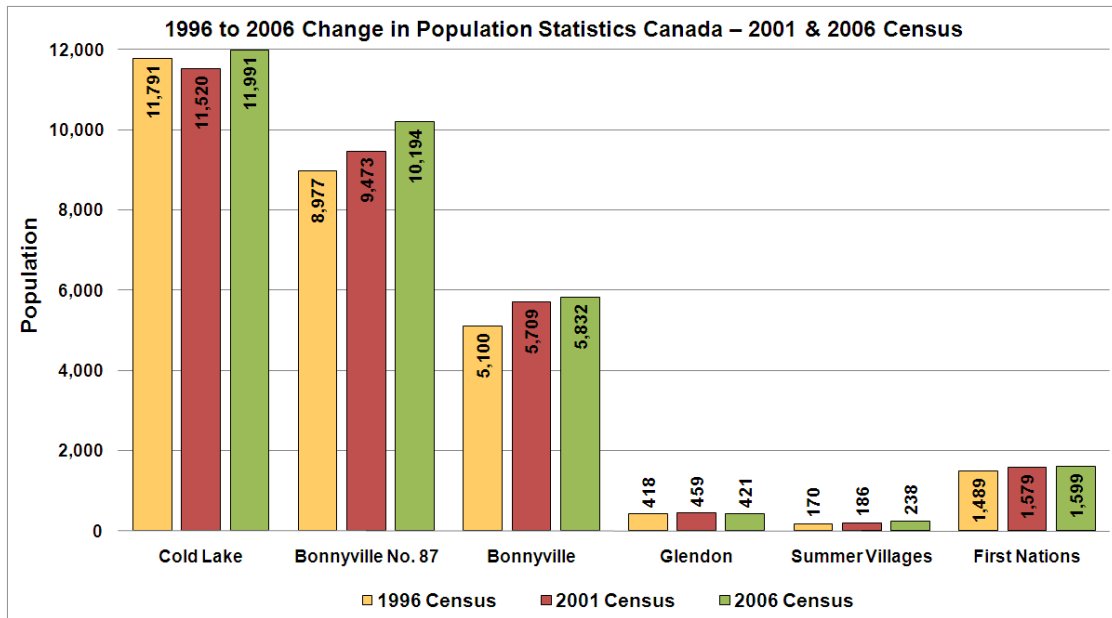
Population Density:

There is a total of 639,834 hectares of land within the region; the MD of Bonnyville accounts for 94.7% of the land. First Nations account for 4.1%, and the City of Cold Lake accounts for 0.9%.

The Town of Bonnyville has the highest population density of 4.14 people per hectare.

Population versus Land Area

Population Density - 2006 Census, Statistics Canada
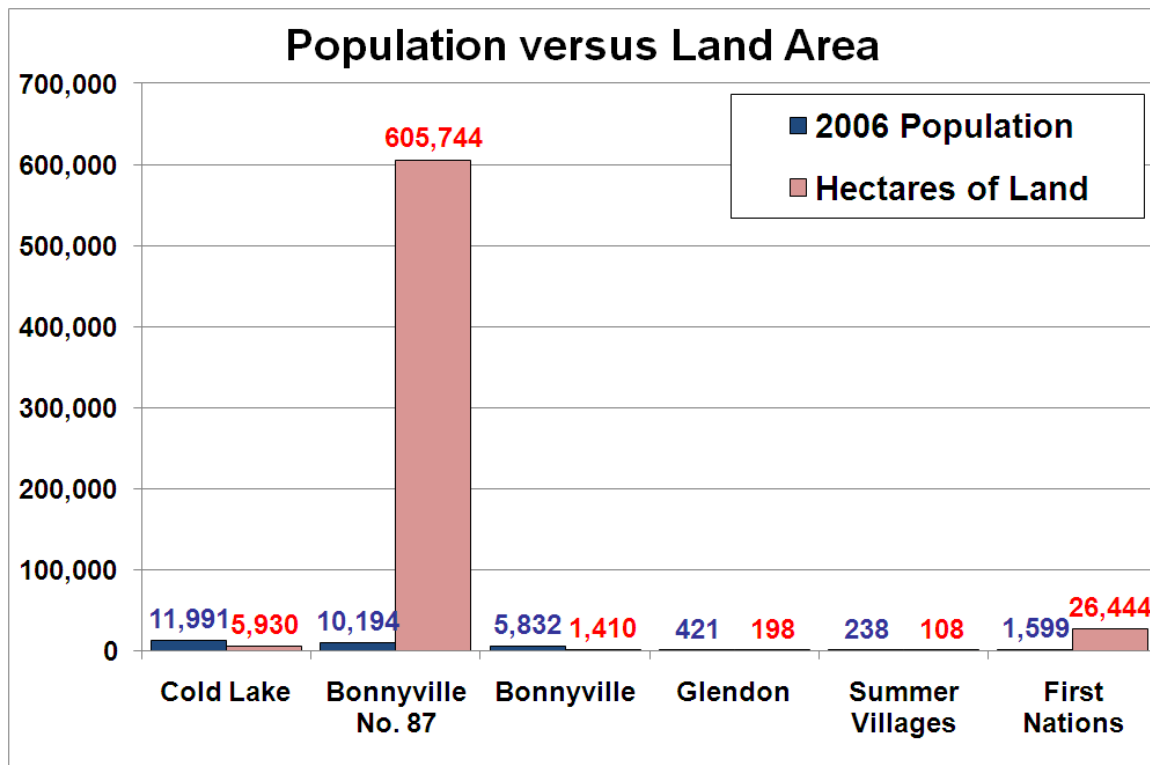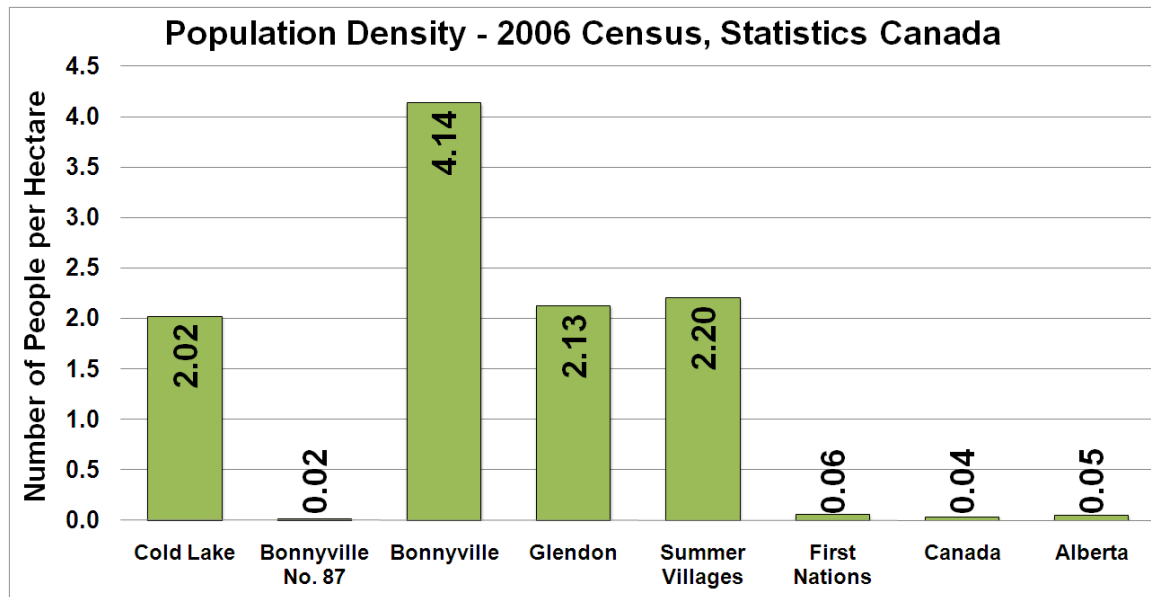
The City of Cold Lake, Village of Glendon and the Summer Villages each have a population density of approximately 2 people per hectare. The MD of Bonnyville and the First Nations have very low densities due to their large land masses.

Regional Income & Unemployment:

The Average Household Income of all of the municipalities within the region exceed the Canadian average of $69,548 per year, and are roughly equal to the Alberta average of $84,368. Cold Lake had the lowest unemployment rate (3.5%) and lowest Incidence of low Income (2.8%) within the region in 2006.

Income & Unemployment - 2006 Census, Statistics Canada

Population Forecast:
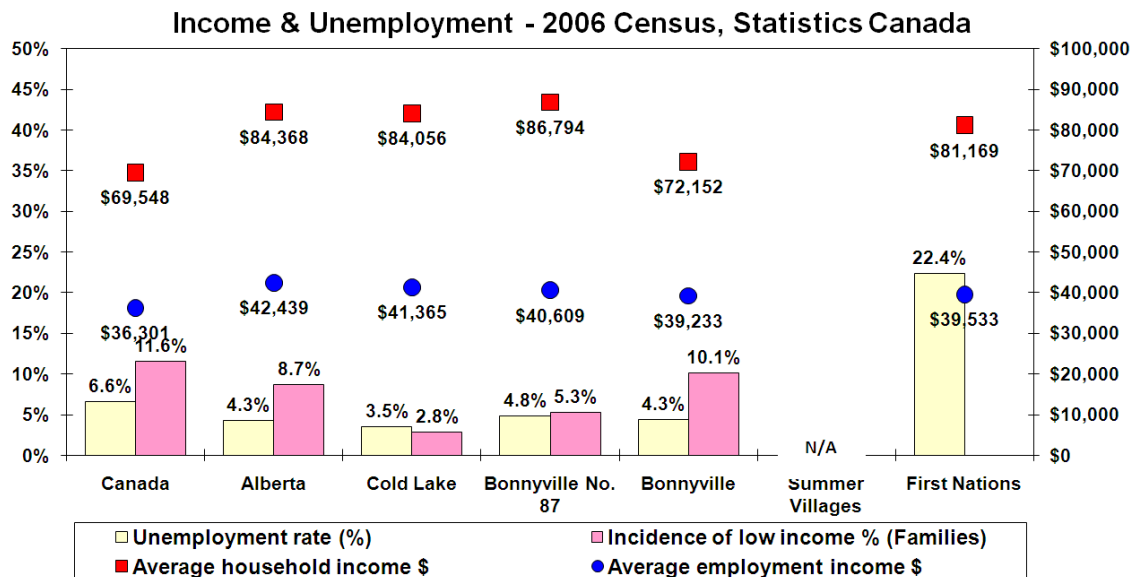
Population of Cold Lake & Area 2001-2031
Source: Statistics Canada with forecast by DeBlock Consulting Ltd. NB: Assumes Alberta birth & death rates, 2001 to 2006 net regional migration pattern, and economic growth that will support the population forecast (i.e. an economic growth variable is excluded from the forecast).
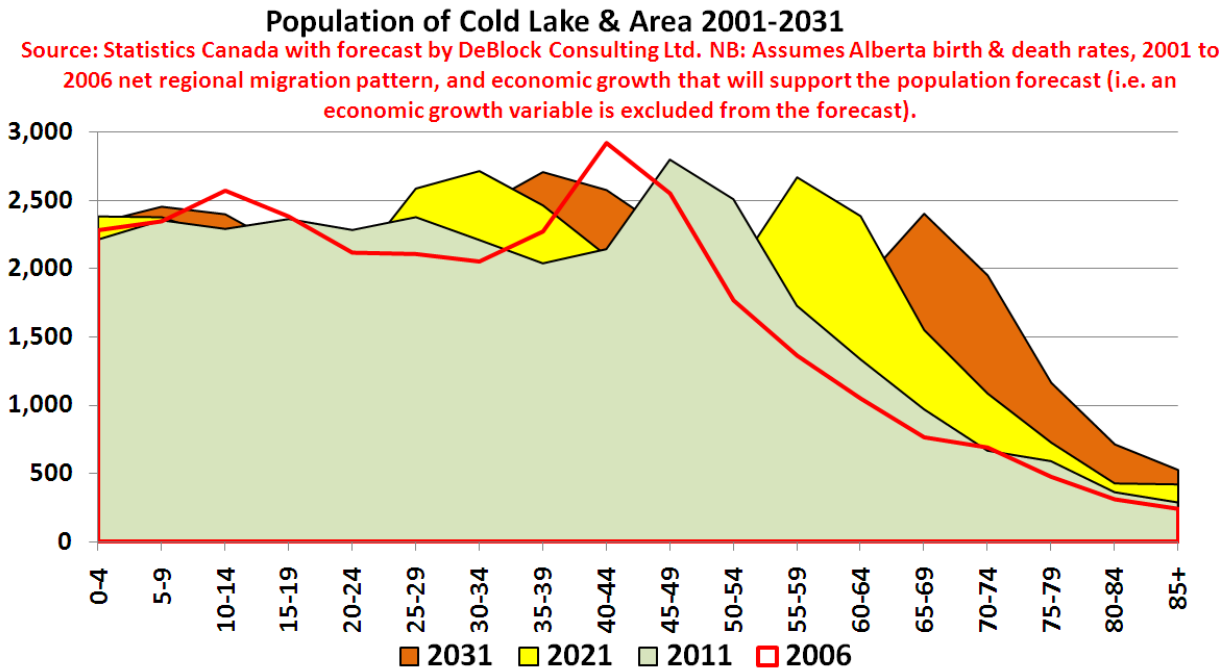
The above graph represents a population forecast by DeBlock Consulting Ltd. The difference between a forecast and a projection is that a forecast assumes that the entity will continue to function in the manner in which it is currently functioning. Projections, on the other hand, make one or more hypothetical assumptions about an entity's future course of action.[3]

Three separate population forecasts were completed for the City of Cold Lake & area, which is defined as the municipalities within the boundaries of the MD of Bonnyville. All three forecasts assumed the 2007 Alberta average fertility rates by age of mother, and the 2007 Alberta average survival rates by gender and age group. The three forecasts differed on the assumption that was made for the region's migration. The three different assumptions were as follows; Scenario #1 assumed that future years reflected the estimated migration that took place in the region between 2001 and 2006. Scenario #2 made the same assumption as Scenario #1 except that the estimated migration was calculated across two age

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[3] http://www.answers.com/topic/financial-forecasts-and-projections
NB: The population projection that was completed is based on model found at the State of Maine's web site: http://www.maine.gov/spo/economics/docs/projections/Methodology.doc. Some adjustments were made to the model by DeBlock Consulting Ltd.

Population of Cold Lake & Area 2001-2031
95% Confidence Interval of Three Seperate Forecasts

Source: Statistics Canada with forecast by DeBlock Consulting Ltd. NB: Assumes Alberta birth & death rates, 2001 to 2006 net regional migration pattern, and economic growth that will support the population forecast (i.e. an economic growth variable is excluded from the forecast).

36,847

35,895

35,987

34,547

35,127

33,048

34,507

31,633

33,592

32,476

31,335

30,300

28,875

2001	2006	2011	2016	2021	2026	2031

—Upper Bound —Lower Bound —Average

groups, not one. This effectively "smoothed out" the fluctuations over the forecast period. In Scenario #3 it was assumed that migration between the region and Alberta was zero. That is, the population forecast for Scenario #3 was based entirely on birth & death rates, and aging. The population of the region is forecast to increase by 5,687 people (14.3%), from 31,335 in 2011 to 35,987 in 2031.

Comparing our forecast to the projections made by Alberta Health in March 2007, we find that the forecasted increase of 14.3% is greater than the 2.9% projection for Aspen Health Region, but less than the 50.1% projection for Northern Lights Health Region.

Percentage Increase in Population of Cold Lake & Area

Aspen Region Projection 2010-2030, Alberta Health (March 2007): **2.9%**

Cold Lake & Area Forecast 2011-2031, DeBlock Consulting (January 2010): **14.3%**

Northern Lights Health Region Projection 2010-2030, Alberta Health (March 2007): **50.1%**

Provincial Population Projection for Alberta 2010-2030, Alberta Health (March 2007): **27.0%**

0%	10%	20%	30%	40%	50%	60%
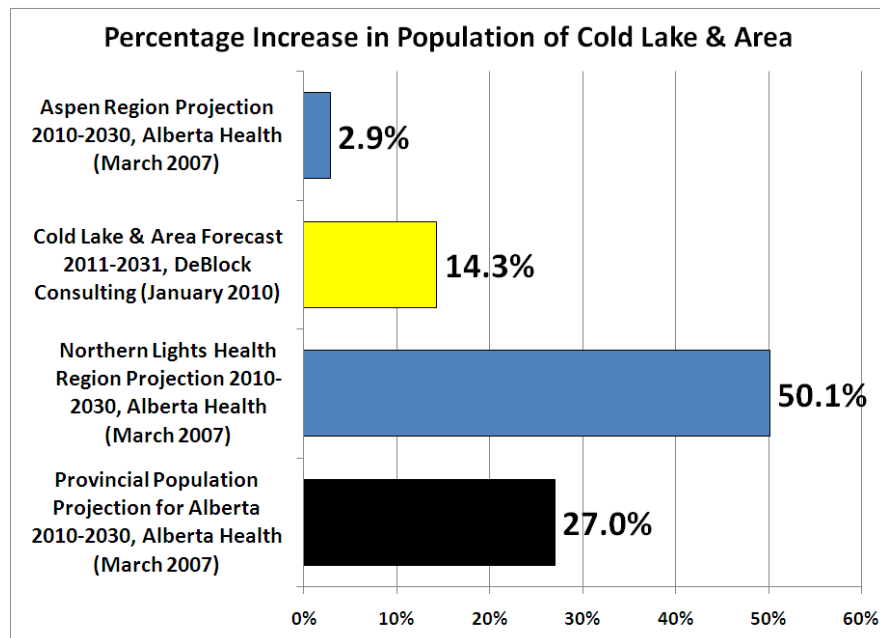
The forecast reveals that the population is aging as the baby boomers grow older. In 2006 the percentage of people 50 years and older accounted for 22% of

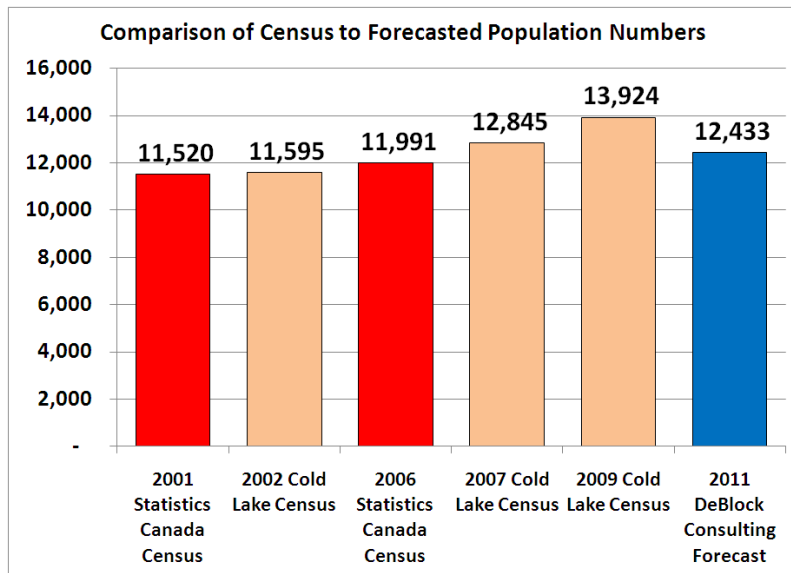**Population by Age Group of Cold Lake & Area 2001-2031**

Source: Statistics Canada with forecast by DeBlock Consulting Ltd. NB: Assumes Alberta birth & death rates, 2001 to 2006 net regional migration pattern, and economic growth that will support the population forecast (i.e. an economic growth variable is excluded from the forecast).

	2001	2006	2011	2016	2021	2026	2031
Total	28,875	30,300	31,484	32,762	34,070	35,201	35,987
75 years & older	880	1,025	1,235	1,353	1,572	1,920	2,403
60-74 years	2,220	2,505	2,968	3,769	5,027	6,195	6,242
45-59 years	4,270	5,690	7,029	7,198	6,484	5,731	5,992
30-44 years	8,075	7,255	6,385	6,613	7,284	7,795	7,740
15-29 years	5,960	6,615	7,016	6,939	6,713	6,394	6,413
0-14 years	7,470	7,210	6,851	6,890	6,989	7,166	7,196
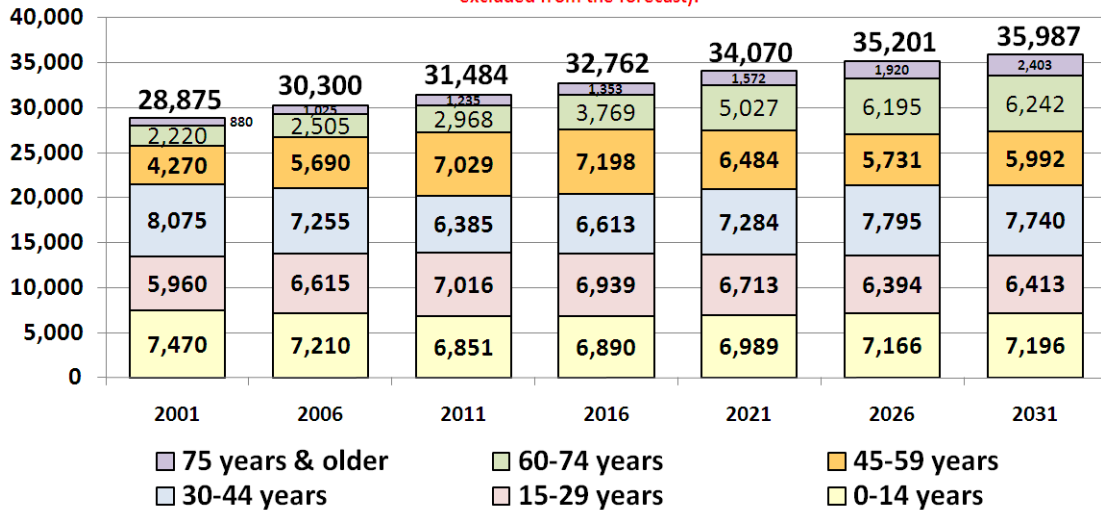
the population, in 2031 this percentage will increase to 34%.

A Variance in Census Populations:

The City of Cold Lake conducted a census in 2002, 2007 and 2009. Comparing Statistics Canada's 2006 census of 11,991 to Cold Lake's 2007 & 2009 census numbers suggests that the population has grown by an average annual rate of 5% (216 people per year) over the three years from 2006 to 2009. The consultant's forecasted population for Cold Lake in 2011 is 12,433, which is 1,491 people (or 11%) less than Cold Lake's 2009 Census. The consultant's forecast is based on Statistic Canada's census numbers. The consultant's forecast for the region may be underestimating the

Comparison of Census to Forecasted Population Numbers

2001 Statistics Canada Census	2002 Cold Lake Census	2006 Statistics Canada Census	2007 Cold Lake Census	2009 Cold Lake Census	2011 DeBlock Consulting Forecast
11,520	11,595	11,991	12,845	13,924	12,433

region's population by approximately 12%.

We understand that the Alberta Government has undertaken to conduct a population projection which will draw heavily on information from industry. They represent that given that this area is subject to economic growth which is seen as the primary driver for population growth beyond the conventional models.

17.5 **Summary of Comparative Financial Analysis – 11 Other Municipalities:**

Eleven municipalities were identified from across the Province of Alberta to compare to the City of Cold Lake. The selection was based on their similarity to the City of Cold Lake in population size and the presence of oil sands activity, a military base and/or the agricultural sector. The eleven (11)

Municipality	Reason for Inclusion
Spruce Grove	Similar population size
County of Grande Prairie	Oil sands region
Okotoks	Similar population size
Leduc	Similar population size
Camrose	Similar population size
Fort Saskatchewan	Similar population size
Brooks	Similar population size
Stony Plain	Similar population size
Wetaskiwin	Similar population size
Peace River	Oil sands region
Wainwright	Military & agricultural activity

municipalities that were selected were the cities of Brooks, Camrose, Fort Saskatchewan, Leduc, Spruce Grove, and Wetaskiwin, the towns of Okotoks, Peace River, Stony Plain, Wainwright, and County of Grande Prairie. The reason for including each of the municipalities is identified in the preceding table.

Comparing the financial information contained in the Municipal Financial Information Returns (MFIR) for the years 2003 to 2008 for these eleven municipalities to Cold Lake revealed that Cold Lake's six (6) year average per capita:

- Operating revenues were the lowest, whereas the annual percentage increase was the second highest,

- The net taxes per capita for Cold Lake were less than average, whereas the annual percentage increase is the second highest,

- Cold Lake's annual growth rate in assessment values is roughly equal to the average growth rate of the eleven other municipalities,

- Cold Lake's expenditures per capita were the second lowest, whereas the annual percentage increase is the third highest, and that

- Cold Lake spends the highest percentage of expenditures on Environmental Use & Protection.

If we exclude the County of Grande Prairie, which has a significantly larger land area than the other eleven municipalities, then Cold Lake has:

- the largest land area of the other 10 municipalities,
- the lowest density of people per hectare due to its larger land area, and
- an average number of meters of roads & water mains per capita.

An analysis of total debt and reserve balances found that there were four municipalities with higher than average debt per capita combined with a lower than average reserves per capita: Okotoks, Cold Lake, Camrose and Wetaskiwin.

- **Reserves:** Cold Lake had the third lowest six year average reserves per capita, but had the highest average annual increase. The 2008 average per capita reserve balance of Cold Lake was below the group average.

- **Long Term Debt:** The 6 year average per capita long term debt of Cold Lake
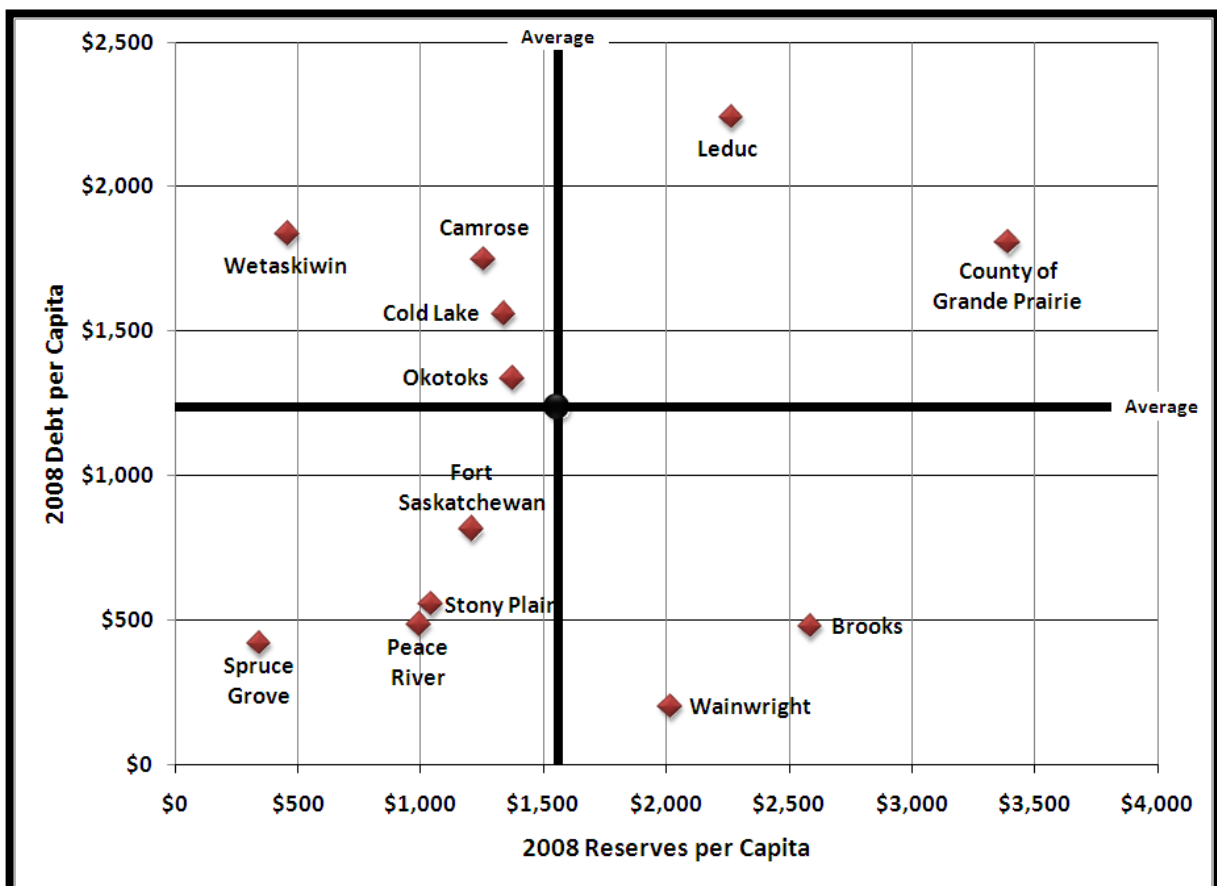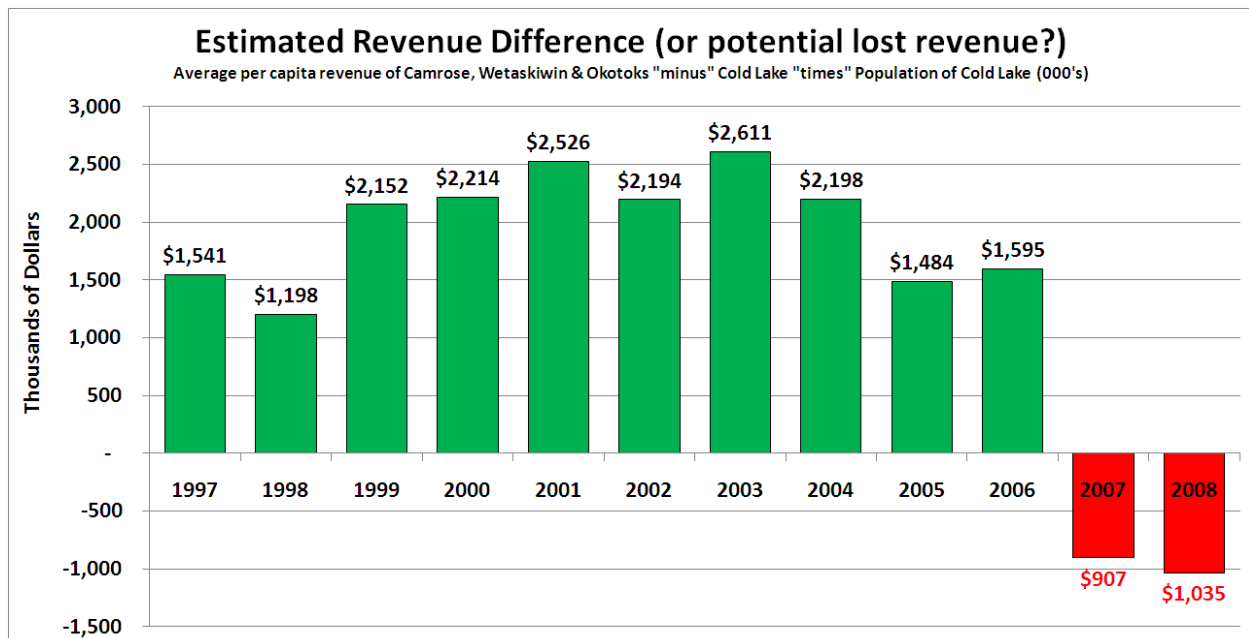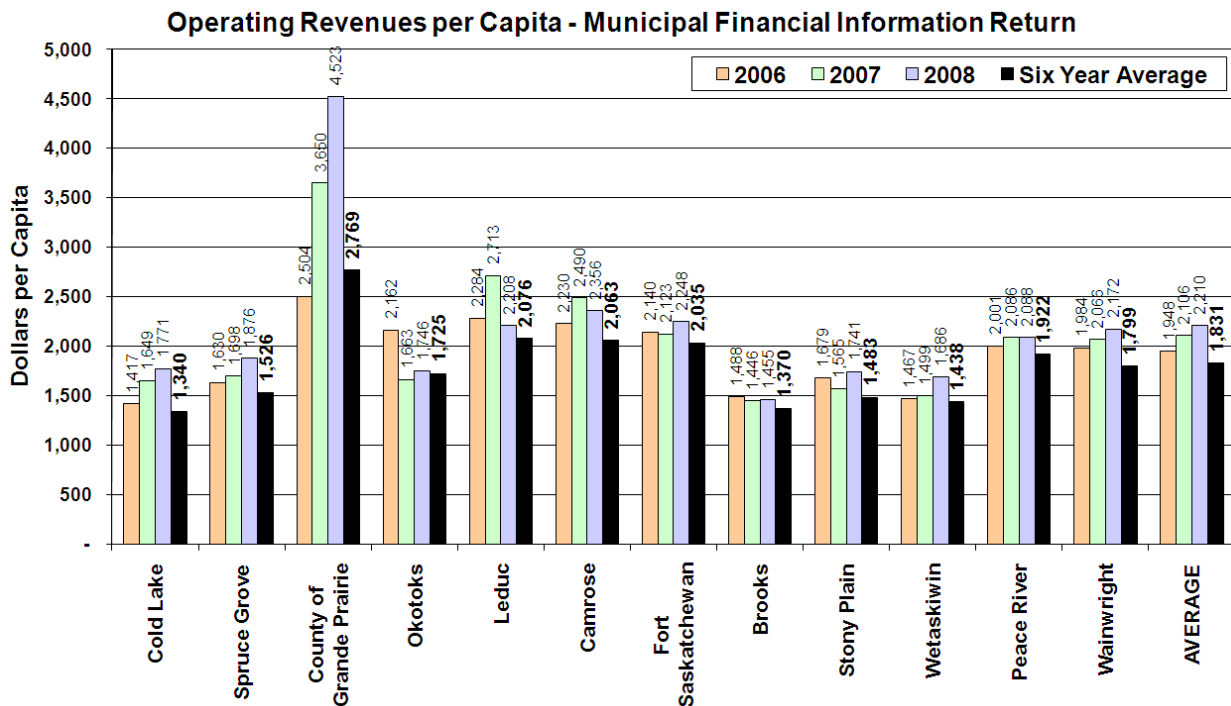
was the fourth highest, with an above average per capita average annual growth rate. The 2008 total debt per capita of Cold Lake was the fifth highest and above average.

- **Debt Servicing Ratio:** The 2008 ratio of the total debt payments to the debt servicing limit of Cold Lake was the second highest.

- **Lost Tax Revenue:** The graph below illustrates that, while Cold Lake has a higher than average debt and lower than average reserve balances, Cold Lake is not unlike Okotoks, Camrose and Wetaskiwin in terms of its debt to reserve per capita.

As such, it could be argued that Cold Lake is very comparable to the Town of Okotoks and the cities of Camrose & Wetaskiwin in terms of population size, reserves and debt. However, from 1997 to 2006 Cold Lake's per capita net-property tax revenue was 17% to 34% below Camrose, Wetaskiwin and Okotoks. If Cold Lake had set mill rates such that they received the same per capita taxes as Okotoks, Camrose & Wetaskiwin, then Cold Lake would have received an additional $19.7 million in tax revenue from 1997 and 2008.

Estimated Revenue Difference (or potential lost revenue?)
Average per capita revenue of Camrose, Wetaskiwin & Okotoks "minus" Cold Lake "times" Population of Cold Lake (000's)

Year	Value
1997	$1,541
1998	$1,198
1999	$2,152
2000	$2,214
2001	$2,526
2002	$2,194
2003	$2,611
2004	$2,198
2005	$1,484
2006	$1,595
2007	-$907
2008	-$1,035

Thousands of Dollars

Operating Revenues – Comparison to 11 Other Municipalities:

Operating Revenues per Capita - Municipal Financial Information Return
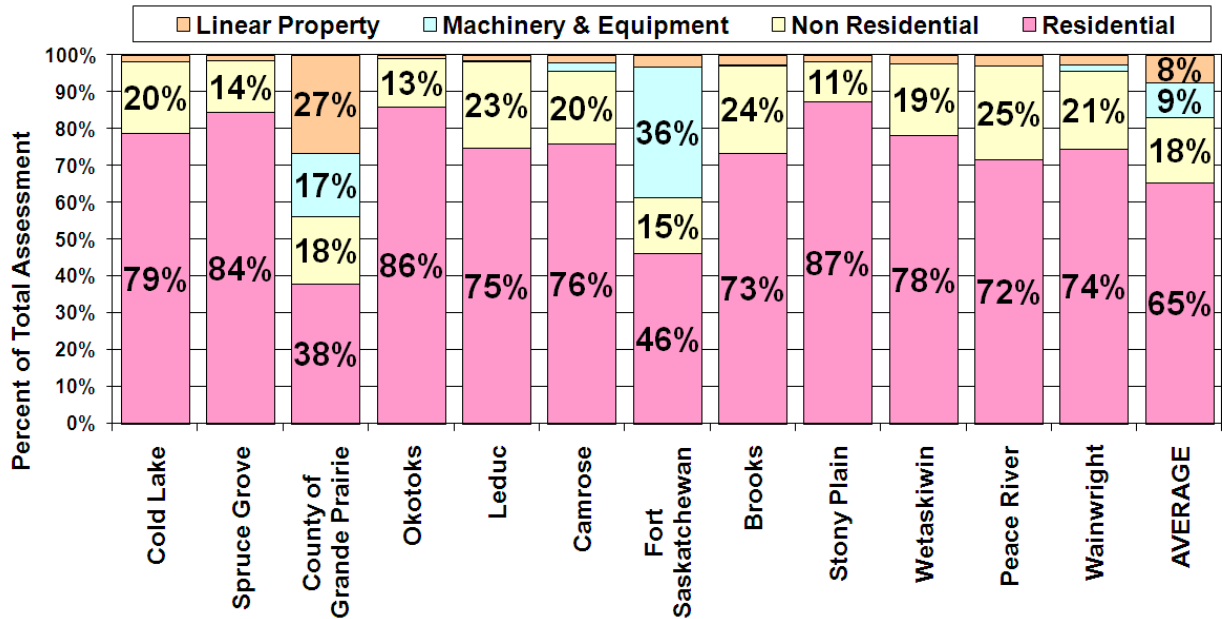

Comparing Cold Lake to 11 other municipalities with a similar population size or characteristics reveals that the 6 year average per capita operating revenues of Cold Lake are the lowest, whereas the average annual increase of 17.3% is the second highest, compared to an over-all average of 13.1%.

Similarly, the 6 year average per capita net taxes & grants in lieu of Cold Lake was below average, whereas the average annual increase of 18.3% is the second highest, compared to an over-all average of 12.3%. Cold Lake's revenues per capita is most similar to Brooks and Wetaskiwin.

Assessment Values – Comparison to 11 Other Municipalities:

A review of total assessment values reveals that Cold Lake's values increased at an annual rate roughly equal to the other eleven municipalities: i.e. an average annual increase of 14.0% per annum from 2003 to 2008 compared to an over-all average of 14.7%. Cold Lake has slightly more residential property than the other municipalities (79%), and less linear & machinery & equipment (1.7% & 0.1%). However, Cold Lake's composition of assessment values is very similar to Wetaskiwin, Camrose and Wainwright.

Operating Expenditures – Comparison to 11 Other Municipalities:

Comparing Cold Lake to 11 other municipalities with a similar population size or characteristics reveals that the 6 year average per capita expenditures of Cold Lake are the second lowest, whereas the average annual increase of 15.2% is the third highest, compared to an over-all average of 13.8%.
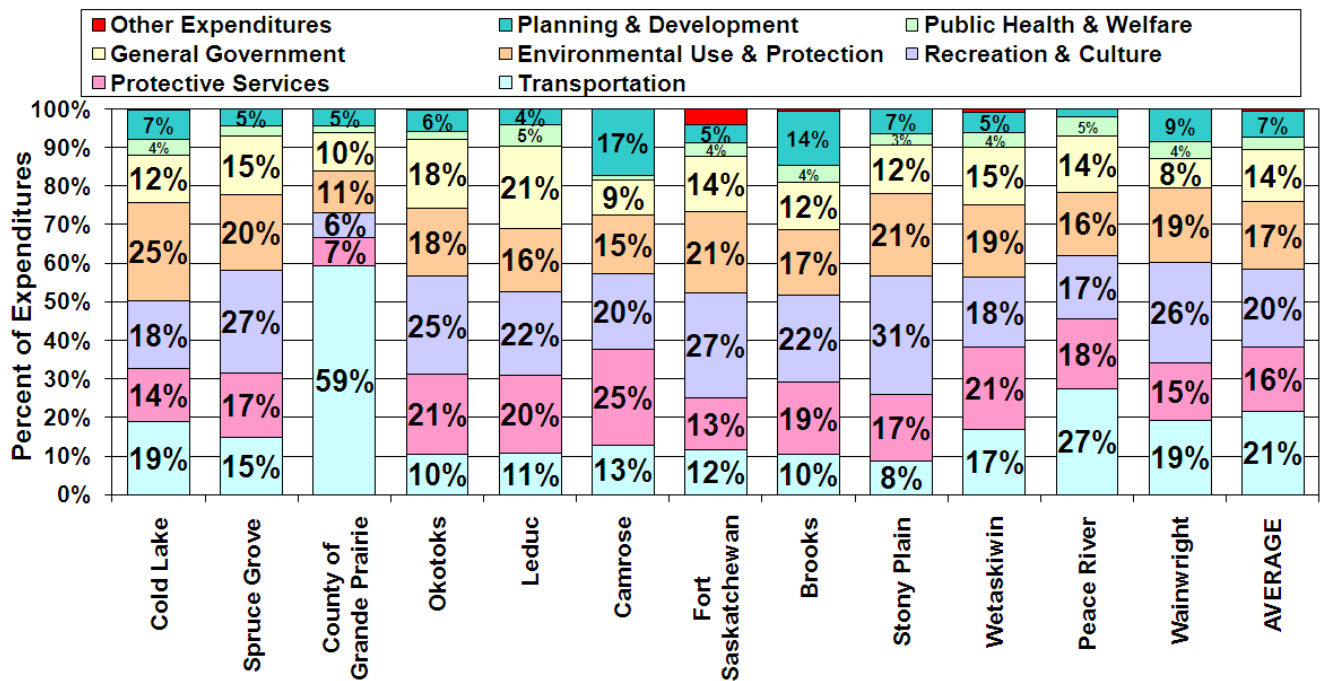
Cold Lake spends the highest percentage of expenditures on Environmental Use & Protection[4] (25.5%), and a below average percentage of expenditures on Protective Services[5] and Recreation & Culture[6]. Cold Lake's composition of expenditures is most similar to Wetaskiwin, Wainwright and Spruce Grove.

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[4] Environmental Use & Protection includes; water supply & distribution, wastewater treatment & disposal, waste management, other environmental use & protection
[5] Protective Services include; police, fire, disaster & emergency measures, ambulance & first aid, bylaws enforcement, other protective services
[6] Recreation & Culture includes; recreation boards, parks & recreation, culture, libraries, museums, halls, convention centres and other recreation & culture

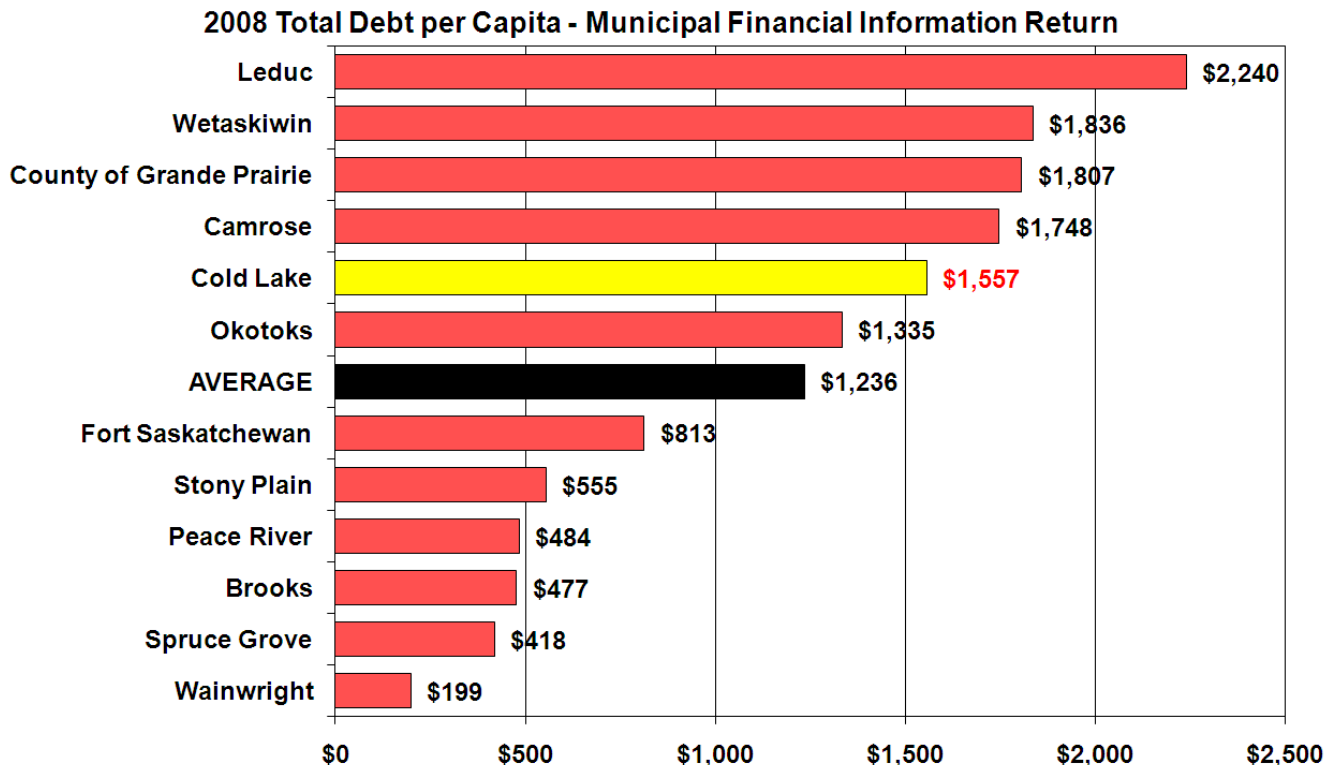## Operating Expenses per Capita - Municipal Financial Information Return

Legend: □ 2006 □ 2007 □ 2008 ■ Six Year Average

Y-axis: Dollars per Capita

Municipality	2006	2007	2008	Six Year Average
Cold Lake	1,139	1,293	1,450	1,101
Spruce Grove	1,358	1,440	1,695	1,323
County of Grande Prairie	2,314	3,253	3,498	2,355
Okotoks	1,658	1,285	1,322	1,319
Leduc	1,578	1,695	1,600	1,472
Camrose	1,624	1,918	1,783	1,559
Fort Saskatchewan	1,853	1,776	1,964	1,748
Brooks	990	916	1,466	1,016
Stony Plain	1,476	1,383	1,550	1,289
Wetaskiwin	1,163	1,210	1,385	1,161
Peace River	1,496	1,696	2,009	1,612
Wainwright	1,346	1,404	1,403	1,276
AVERAGE	1,249	1,360	1,474	1,183

Legend:
- ■ Other Expenditures
- ■ Planning & Development
- ■ Public Health & Welfare
- □ General Government
- ■ Environmental Use & Protection
- ■ Recreation & Culture
- ■ Protective Services
- ■ Transportation

Y-axis: Percent of Expenditures

Category	Cold Lake	Spruce Grove	County of Grande Prairie	Okotoks	Leduc	Camrose	Fort Saskatchewan	Brooks	Stony Plain	Wetaskiwin	Peace River	Wainwright	AVERAGE
Other Expenditures							5%			5%			
Planning & Development	7%	5%	5%	6%	4%	17%	4%	14%	7%			9%	7%
Public Health & Welfare	4%				5%				3%		5%		
General Government	12%	15%	10%	18%	21%	9%	14%	12%	12%	15%	14%	8%	14%
Environmental Use & Protection	25%	20%	11%	18%	16%	15%	21%	4%	21%	19%	16%	19%	17%
Recreation & Culture	18%	27%	6%	25%	22%	20%	27%	17%	31%	18%	17%	26%	20%
Protective Services	14%	17%	7%	21%	20%	25%	13%	22%	17%	21%	18%	15%	16%
Transportation	19%	15%	59%	10%	11%	13%	12%	19%	8%	17%	27%	19%	21%

Total Debt – Compare to 11 Other Municipalities:

2008 Total Debt per Capita - Municipal Financial Information Return

Municipality	Debt per Capita
Leduc	$2,240
Wetaskiwin	$1,836
County of Grande Prairie	$1,807
Camrose	$1,748
Cold Lake	$1,557
Okotoks	$1,335
AVERAGE	$1,236
Fort Saskatchewan	$813
Stony Plain	$555
Peace River	$484
Brooks	$477
Spruce Grove	$418
Wainwright	$199

Comparing Cold Lake to 11 other municipalities with a similar population size or characteristics reveals that the six year average per capita long term debt, from 2003 to 2008, of Cold Lake was the fourth highest, with an average annual increase of 22.2% compared to an over-all average of 19.2%.

The 2008 total debt per capita of Cold Lake was the fifth highest and above average (refer to above graph). The City of Camrose and the Town of Okotoks had debt loads most similar to the City of Cold Lake.

Debt Ratio – Compare to 11 Other Municipalities:

The 2008 ratio of the total debt to the debt limit of Cold Lake was the third highest at 59.6%. The Town of Wetaskiwin had the highest 2008 Debt Ratio of 71.1%, followed by the City of Leduc with 66.7%.
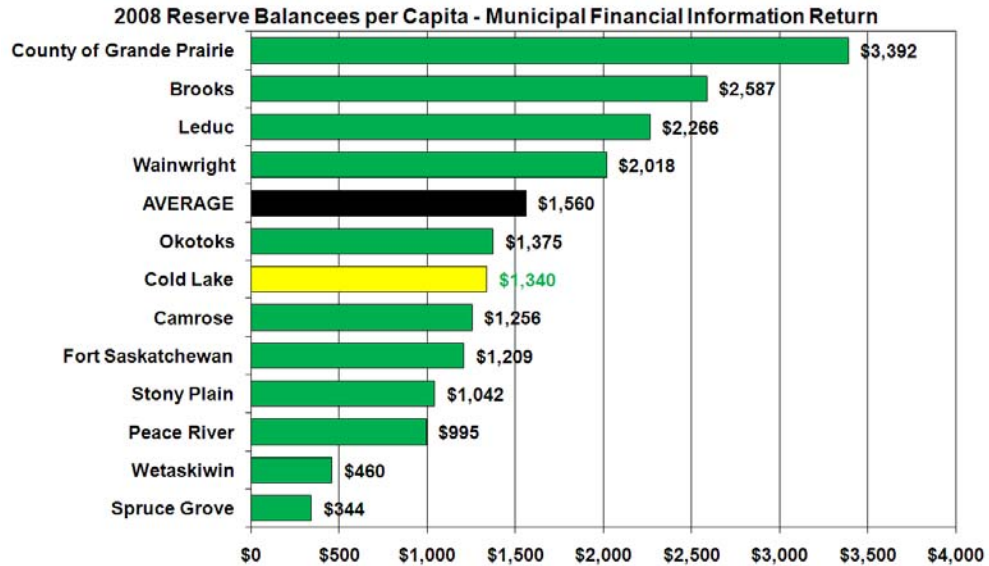
2008 Debit Ratio - Municipal Financial Information Return

Municipality	Value
Wetaskiwin	71.1%
Leduc	66.7%
Cold Lake	59.6%
Camrose	46.5%
Okotoks	44.8%
AVERAGE	36.3%
County of Grande Prairie	32.9%
Fort Saskatchewan	23.2%
Stony Plain	19.6%
Brooks	18.9%
Peace River	14.3%
Spruce Grove	13.5%
Wainwright	4.1%
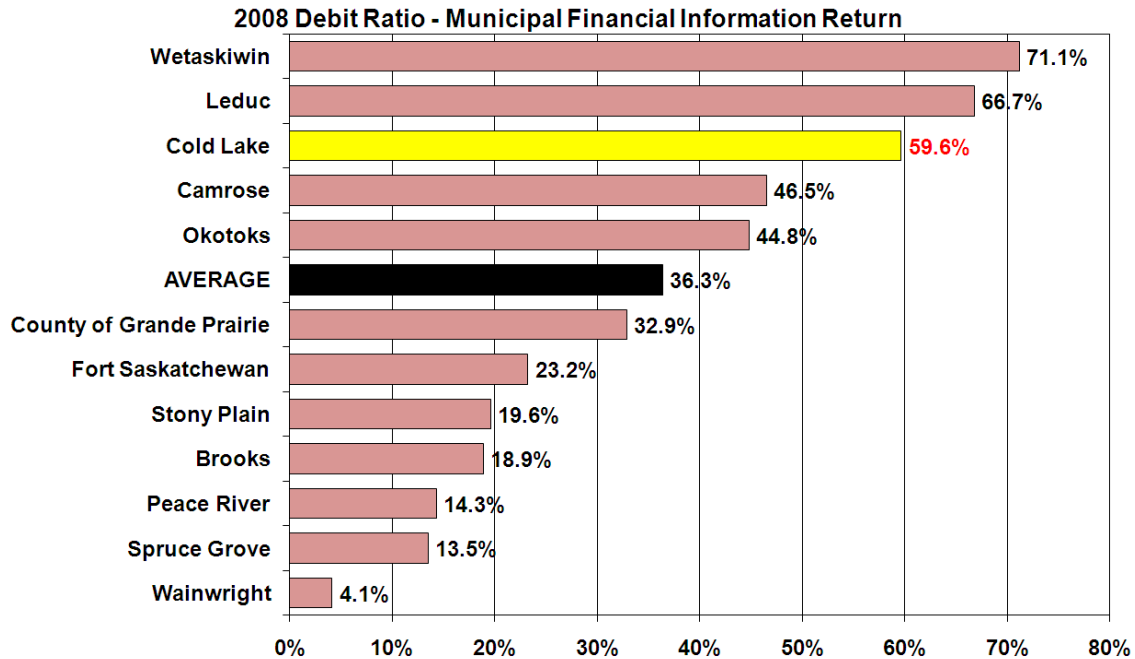
Debt Servicing Ratio – Compare to 11 Other Municipalities:

The 2008 ratio of the total debt payments to the debt servicing limit of Cold Lake was the second highest at 38%. The Town of Wetaskiwin had the highest 2008 debt servicing ratio of 54.1%

2008 Debit Servicing Ratio - Municipal Financial Information Return

Municipality	Value
Wetaskiwin	54.1%
Cold Lake	38.0%
Leduc	37.0%
Camrose	33.5%
Okotoks	32.7%
AVERAGE	25.4%
County of Grande Prairie	21.9%
Peace River	20.9%
Fort Saskatchewan	15.6%
Stony Plain	15.3%
Spruce Grove	14.3%
Brooks	11.7%
Wainwright	7.2%
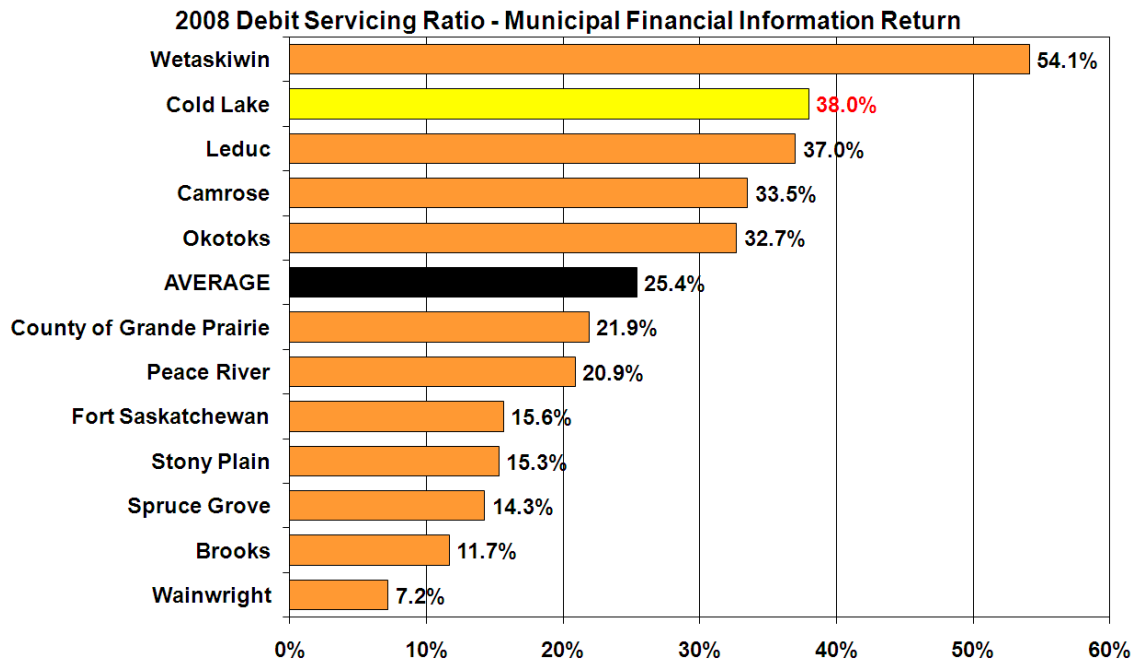
Reserve Balance – Compare to 11 Other Municipalities:

2008 Reserve Balancees per Capita - Municipal Financial Information Return

County of Grande Prairie	$3,392
Brooks	$2,587
Leduc	$2,266
Wainwright	$2,018
AVERAGE	$1,560
Okotoks	$1,375
Cold Lake	$1,340
Camrose	$1,256
Fort Saskatchewan	$1,209
Stony Plain	$1,042
Peace River	$995
Wetaskiwin	$460
Spruce Grove	$344

The 2008 average per capita Reserve Balance of Cold Lake was the sixth highest, which is in the middle or the pack, but below average. The Town of Okotoks and the City of Camrose had similar debt loads to Cold Lake in 2008.

Reserves versus Debt:

The graph to the right compares debt per capita to reserves per capita. The top left quadrant of the graph contains the four municipalities that have a higher than average debt per capita *and* lower than average reserves per capita.
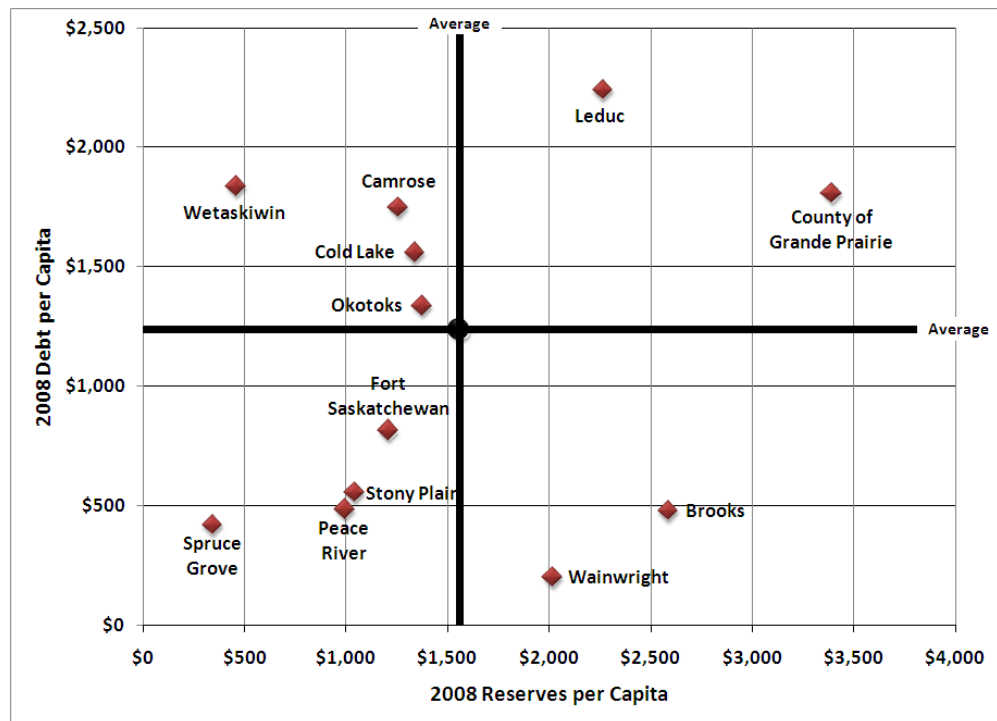
Cold Lake is in this quadrant along with

the three other municipalities of Wetaskiwin, Camrose and Okotoks. It can be

Net Property Tax Revenue per Capita - Municipal Financial Information Return
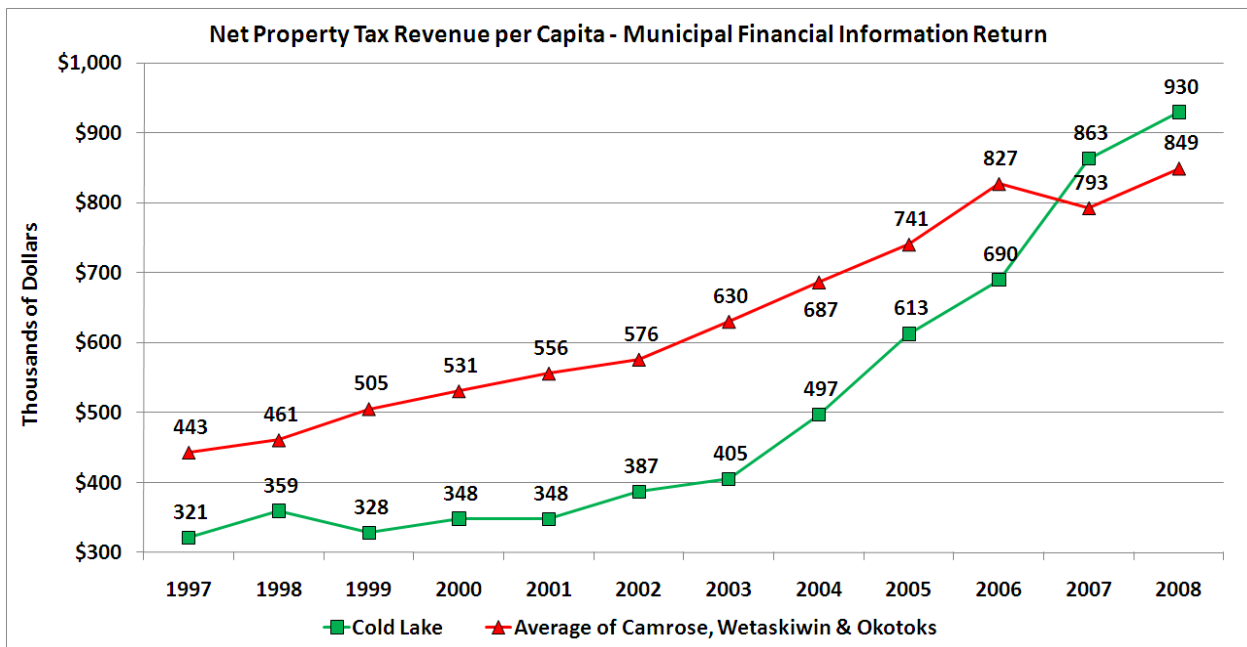
said that these four municipalities are the most similar to each other in their debt to reserve ratio.

Both Wainwright and Brooks have higher than average reserves per capita and lower than average debt per capita.

A Second Look at Net Property Tax Revenue:

It has previously been noted that in the comparison of Cold Lake's financial information contained in the Municipal Financial Information Returns (MFIR) for the years 2003 to 2008 for the eleven municipalities that the six (6) year average per capita

- Operating revenues were the lowest, yet the annual percentage increase was the second highest,

- Net taxes per capita for Cold Lake were less than average, yet the annual percentage increase is the second highest,

- Cold Lake's expenditures per capita were the second lowest, whereas the annual percentage increase is the third highest, and that

- Cold Lake's annual growth rate in assessment values is roughly equal to the average growth rate of the eleven other municipalities,

Cold Lake has been found to be very comparable to the Town of Okotoks and the cities of Camrose & Wetaskiwin in terms of population size, reserves and debt. A trend analysis comparing Cold Lake's net property tax revenue per capita to

Wetaskiwin, Camrose and Okotoks reveals that Cold Lake had a significantly lower tax rate than these three municipalities with similar reserve balances and debt load. The above graphs demonstrate that prior to 2007 Cold Lake's per capita net-property tax revenue was 17% to 34% below the average per capita rate of Camrose, Wetaskiwin and Okotoks.

In 2007 & 2008 Cold Lake's per capita net-property tax rate was 9% above the

Estimated Revenue Difference (or potential lost revenue?)
Average per capita revenue of Camrose, Wetaskiwin & Okotoks "minus" Cold Lake "times" Population of Cold Lake (000's)

Year	Value
1997	$1,541
1998	$1,198
1999	$2,152
2000	$2,214
2001	$2,526
2002	$2,194
2003	$2,611
2004	$2,198
2005	$1,484
2006	$1,595
2007	$907
2008	$1,035
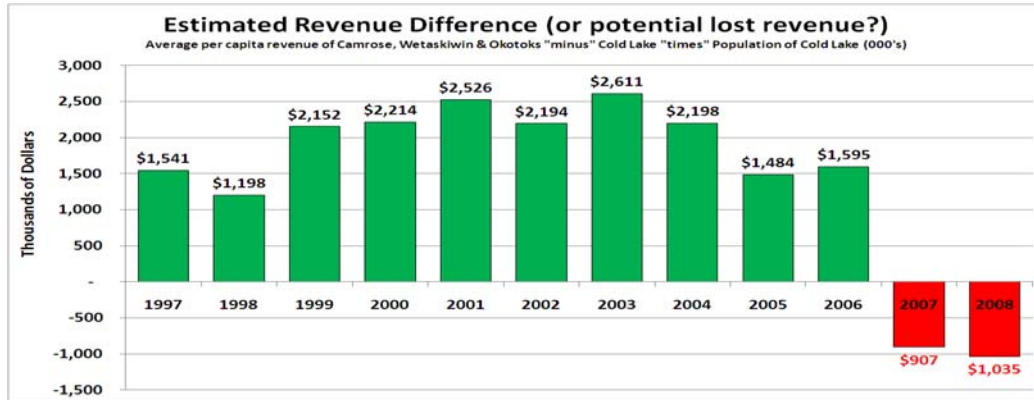
average of $849 per capita.

If Cold Lake had increased their mill rates such that their per capita net-property tax revenue was the same as the average per capita rates of the Town of Okotoks and the Cities of Camrose & Wetaskiwin, then Cold Lake would have received $19.7 million in additional tax revenue between 1997 and 2008. The above graph illustrates the annual difference in revenue that Cold Lake would have realized from 1997 to 2008.

Population versus Land Area – Compare to 11 Other Municipalities:

Population versus Area - Municipal Statistical Information Return
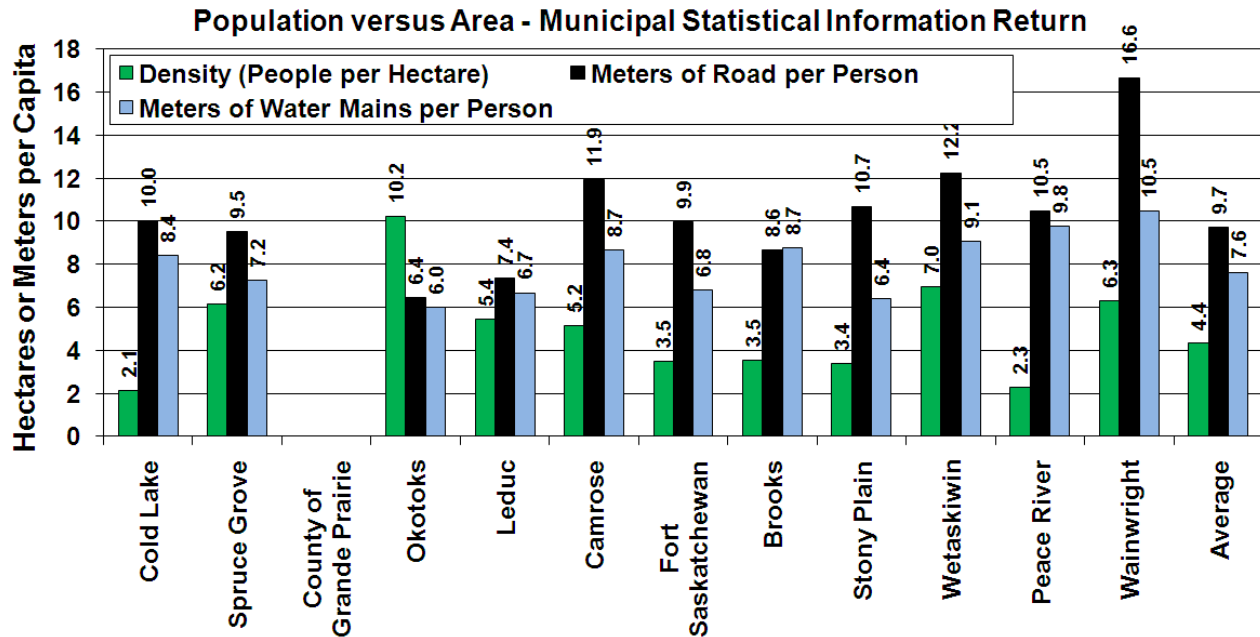
Comparing Cold Lake to 10 other municipalities, excluding the County of Grande Prairie[7], reveals that Cold Lake has the largest land area of 5,989 hectares, which is 84% more than the over-all average of 3,253 hectares, whereas Cold Lake's population of 12,860 people in 2008 is slightly less than the average of 14,175. This results in a population density of 2.1 people per hectare, which is less than one-half of the average of 4.4 people per hectare. However, Cold Lake's meters of roads and water mains per capita are roughly equal to the over-all average.

17.6 Summary of Comparative Financial Analysis – Cold Lake and Area:

Comparing Cold Lake to the 5 other municipalities within the boundaries of the MD of Bonnyville reveals that Cold Lake's 6 year average per capita

- Operating revenues are the third highest, and the annual percentage increase is the highest.

- Net taxes are the second highest, and the annual percentage increase is the second highest.

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[7] The County of Grande Prairie is excluded from this analysis due to its significantly larger land area as compared to the other 10 municipalities.

| 2008 Municipal Financial Information Return | | | | | | | |
Municipality	Population	Total Area of Municipality (Hectares)	Length of all Open Roads Maintained (Kilometers)	Water Mains Length (Kilometers)	Operating Revenues (000's)	Operating Expenditures (000's)	Net Taxes & Grants in Lieu (000's)	Total Assessment Values (000's)
Cold Lake	12,860	5,989	129	108	$ 22,771	$ 18,652	$ 12,472	1,103,798
Bonnyville No. 87, M.D. of	9,047	590,271	3,201	39	$ 40,621	$ 28,385	$ 30,043	2,877,310
Bonnyville	5,896	1,675	106	88	$ 12,593	$ 10,945	$ 4,841	438,072
Glendon	483	237	20	5	$ 500	$ 366	$ 321	16,706
Pelican Narrows	141	32	5	-	$ 135	$ 103	$ 124	35,244
Bonnyville Beach	97	13	3	-	$ 82	$ 58	$ 65	15,262
Total	28,524	598,217	3,464	240	$ 76,702	$ 58,508	$ 47,866	$ 4,486,392

- Assessment annual growth rate is roughly equal to the over-all average.

- Expenditures are the third highest, whereas the annual percentage increase is the highest.

- Cold Lake spends the highest percentage of expenditures on Environmental Use & Protection.

- Cold Lake has 44% of the region's population, the second largest land area, the fewest number of meters of roads per person, and an average number of meters of water mains per capita.

An analysis of total debt and reserve balances found that Cold Lake had the highest average debt per capita combined with below average reserves per capita.

- **Reserves:** Cold Lake had a higher than average debt per capita and lower than average reserves per capita.

- **Long Term Debt:** Cold Lake had the highest per capita long term debt, and the highest average annual growth rate

- **Debt Servicing Ratio:** The 2008 ratio of the total debt payments to the debt servicing limit of Cold Lake was the highest.
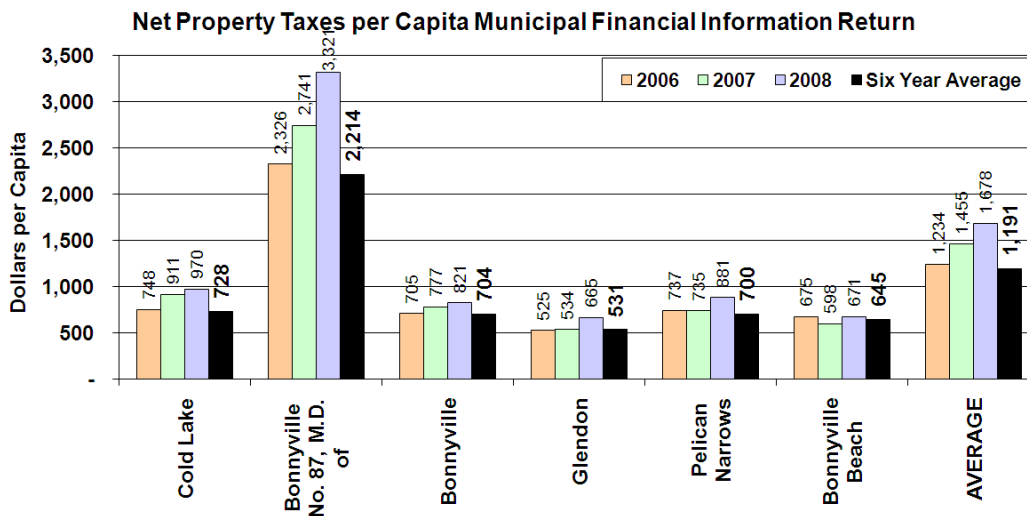
Operating Revenues – Cold Lake and Area:
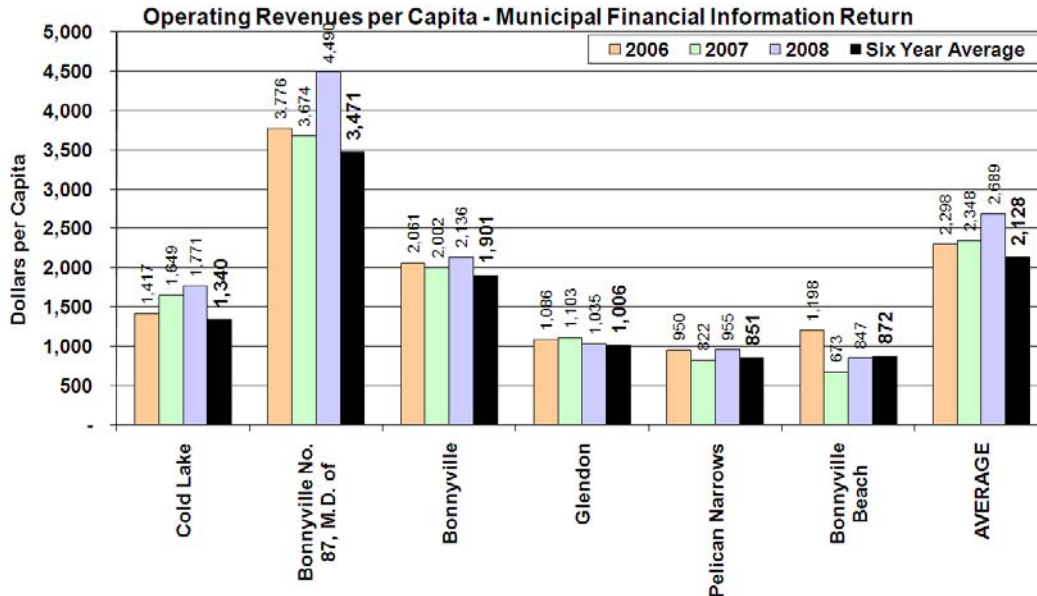
Comparing Cold Lake to the other 5 municipalities within the boundary of the MD of Bonnyville reveals that the six (6) year average per capita operating revenues of Cold Lake was the third highest, whereas the average annual increase of 17.3% was the highest, compared to an over-all average of 13.3%. The MD of Bonnyville had the highest revenues per capita, which is 2.6 times more than Cold Lake and 2.3 times more than the average of all of the five (5) municipalities.

The six (6) year average per capita Net Taxes & Grants in Lieu of Cold Lake was

the second highest, with an average annual increase of 18.3% which was also the second highest, compared to an over-all average of 20.1%. The MD of Bonnyville had the highest per capita rate, and the highest average annual growth rate of net property tax revenue. The MD's per capita tax revenue exceeds the average of the other 5 municipalities by a factor of 3 times more.

Assessment Values – Cold Lake and Area:
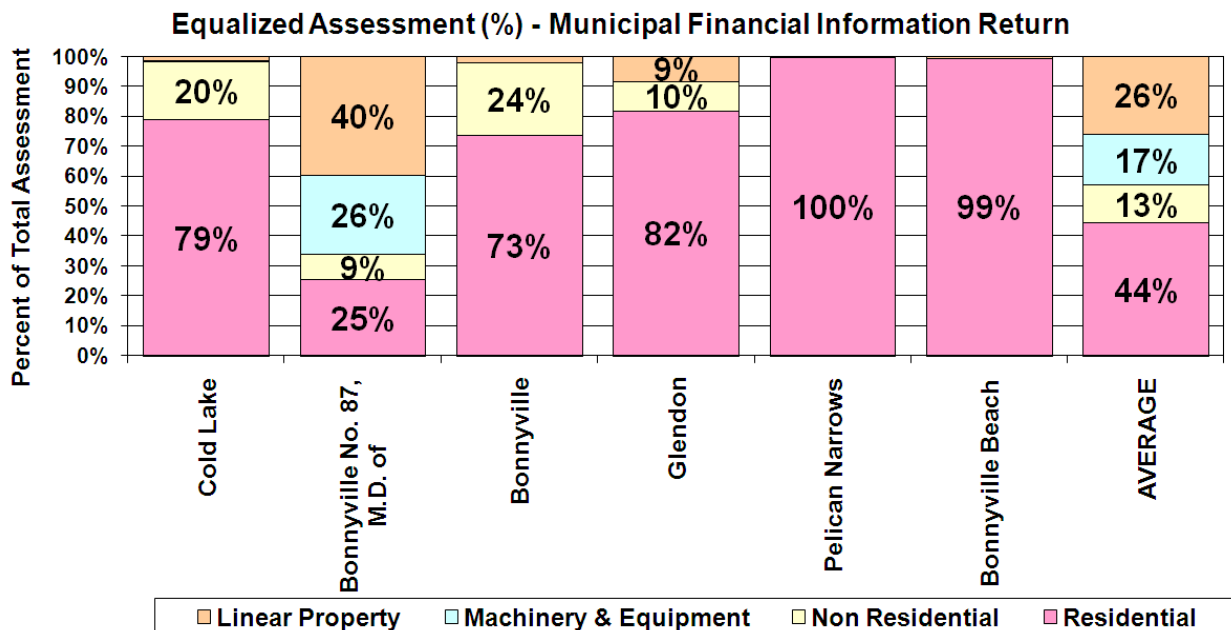
Comparing Cold Lake to the other 5 municipalities within the boundary of the MD of Bonnyville reveals that Cold Lake's total assessment values increased by roughly the same rate as the rest of the region from 2003 to 2008; i.e. Cold Lake's assessment values increased by an average annual rate of 14.0% compared to an over-all regional rate of 14.2%.

Cold Lake has more residential property (79%) than the regional average (44%), and very little linear & machinery & equipment; 1.7% & 0.1%, respectively.

The MD of Bonnyville had significantly more linear (40%) & machinery & equipment (26%) compared to the other 5 municipalities.

Operating Expenditures – Cold Lake and Area:
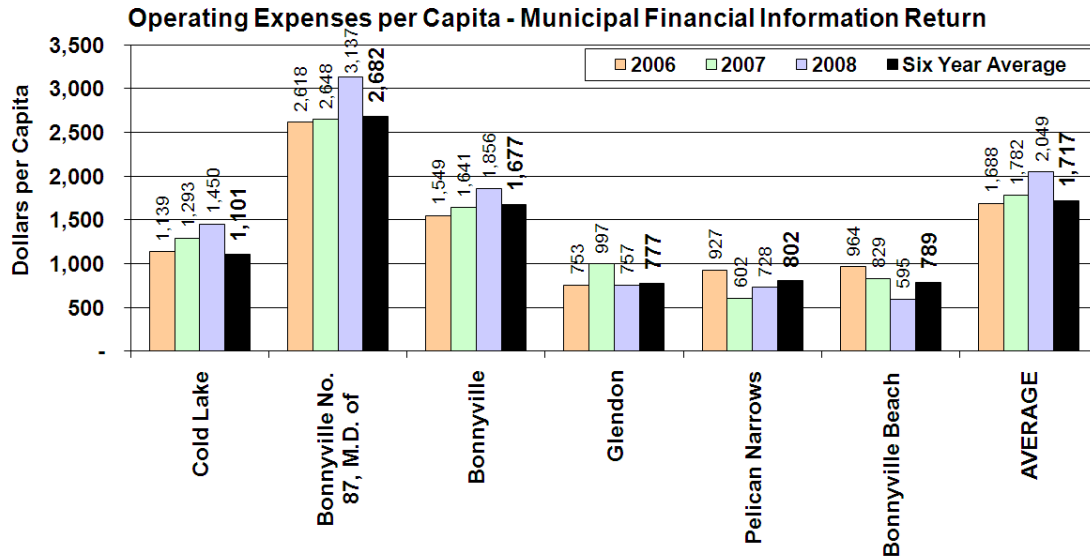
Operating Expenses per Capita - Municipal Financial Information Return

Comparing Cold Lake to the other 5 municipalities within the boundary of the MD of Bonnyville reveals that the 6 year average per capita expenditures of Cold Lake are the third highest. The average annual increase in per capita expenditures was the highest at 15.2%, compared to an over-all average of 7.9%.


Operating Expenditures (%) Municipal Financial Information Return
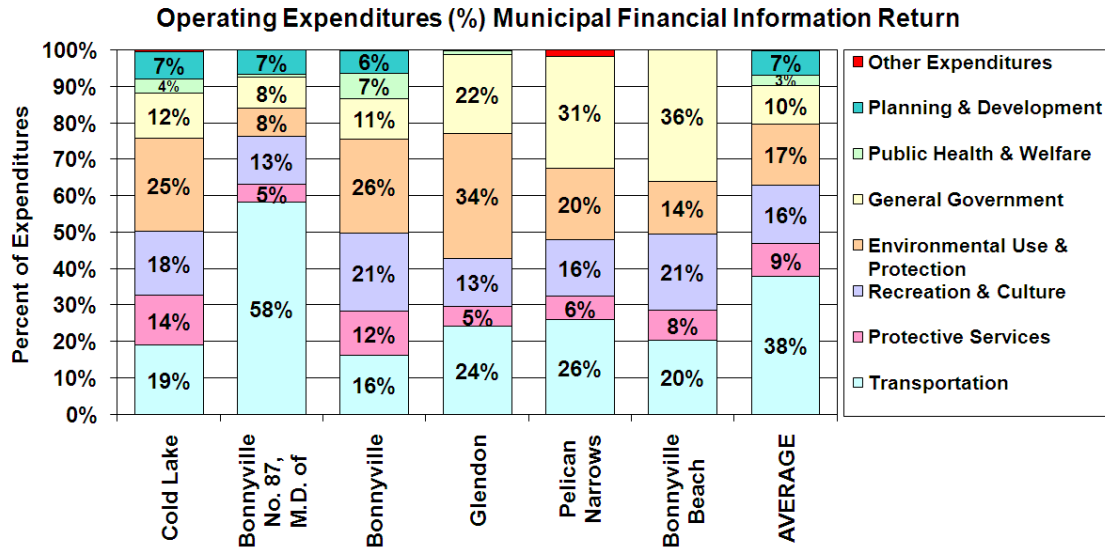
The MD of Bonnyville had the highest per capita expenditure rate and a below average annual increase of 5.4%.

Cold Lake spends a higher than average percentage of expenditures on Environmental Use & Protection (25.5%). The MD of Bonnyville spends a higher than average percentage of expenditures on Transportation (58.1%).

Population Density – Cold Lake and Area:
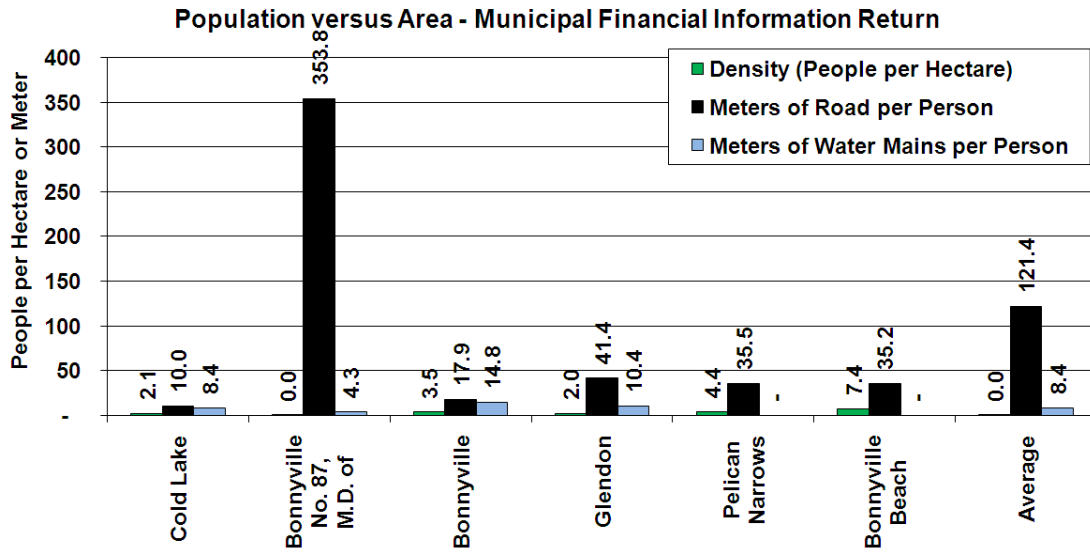
Comparing Cold Lake to the 5 other municipalities reveals that Cold Lake had the largest population of 12,860 people in 2008, which is 44% of the region's total population. The MD of Bonnyville has the largest land area of 590,271 hectares. Cold Lake's land area is the second largest at 5,898 hectares. The population density of Cold Lake was 2.1 people per hectare, which is similar to the Village of Glendon and less than the Town of Bonnyville. In 2008 Cold Lake had the fewest number of meters of roads per person, and an average number of meters of water mains per capita.

Total Debt – Cold Lake and Area:
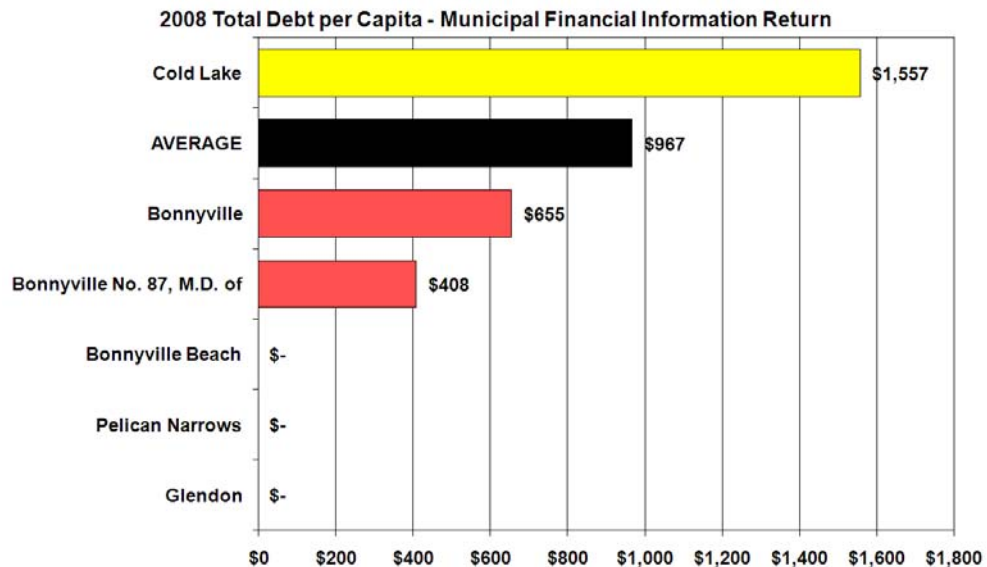
Comparing Cold Lake to the other 5 municipalities within the boundary of the MD of Bonnyville reveals that the 6 year average per capita long term debt of Cold Lake was the highest. Cold Lake's average annual increase in total debt was 22.2%, which was the second highest, compared to an over-all average of 21.9%. The 2008 total debt per capita of Cold Lake was the highest, which is 1.6 to 3.8 times larger than the Town and MD of Bonnyville, respectively.

The Village of Glendon and two summer villages did not have any debt over the six year period.

**Total Debt Ratio – Cold Lake and Area:**
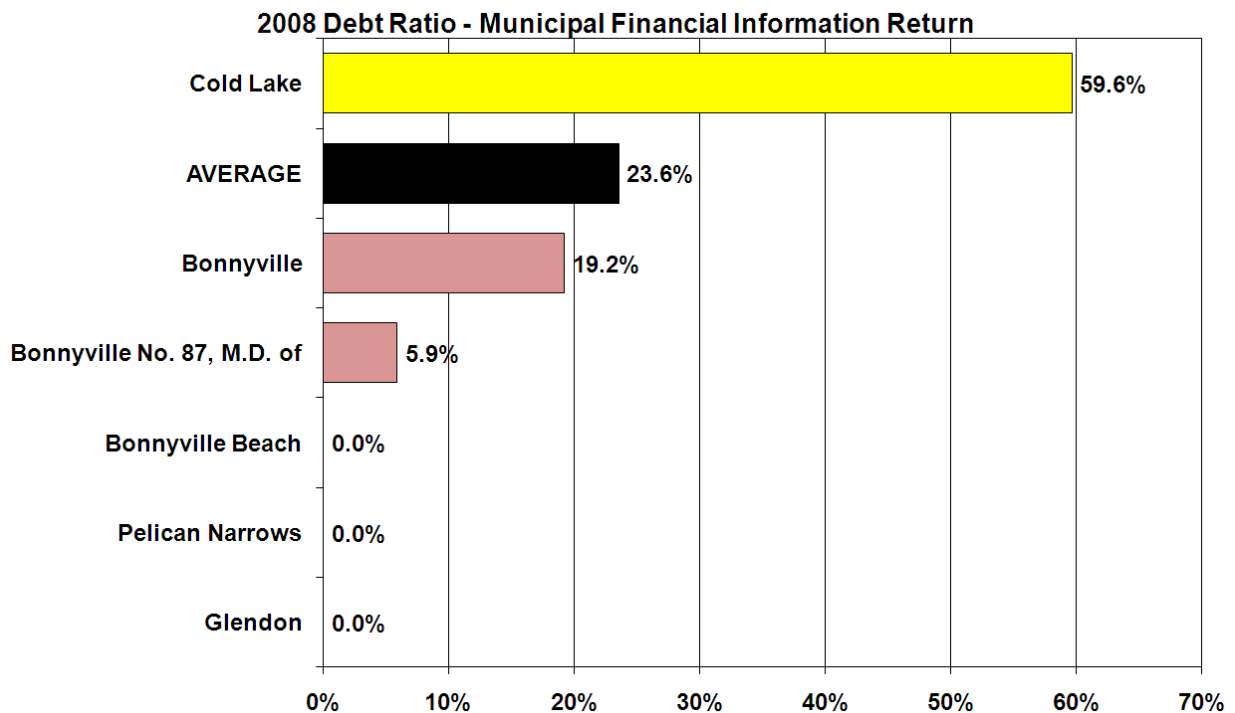
Comparing the total debt ratio of Cold Lake, which is equal to "total debt" divided by "total debt limit", to the other 5 municipalities within the boundary of the MD of Bonnyville revealed that the 2008 ratio of the total debt to the debt limit of Cold Lake was the highest at 59.6%.

The Village of Glendon and two summer villages did not have any debt over the six year period.

Total Debt Servicing Ratio - Cold Lake and Area:
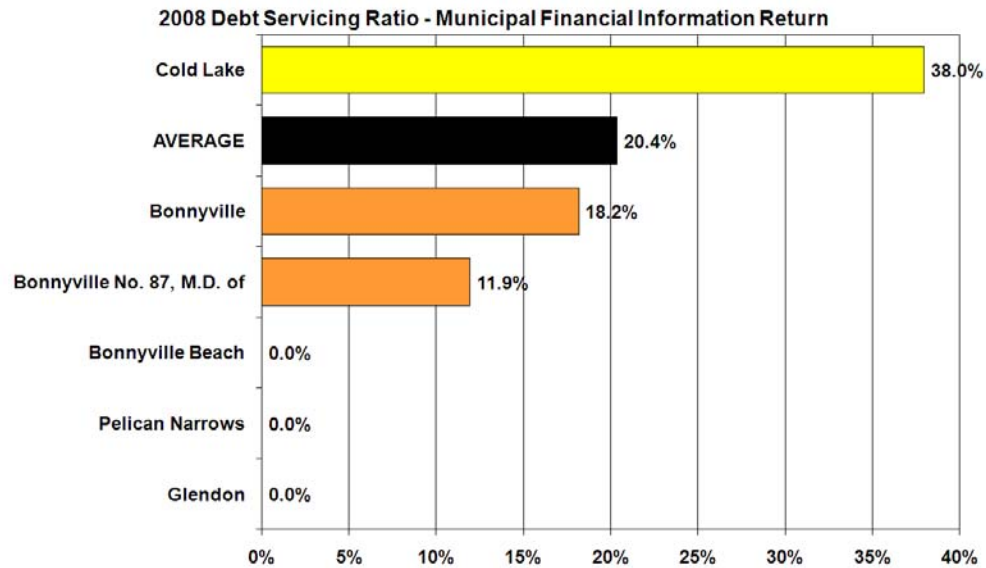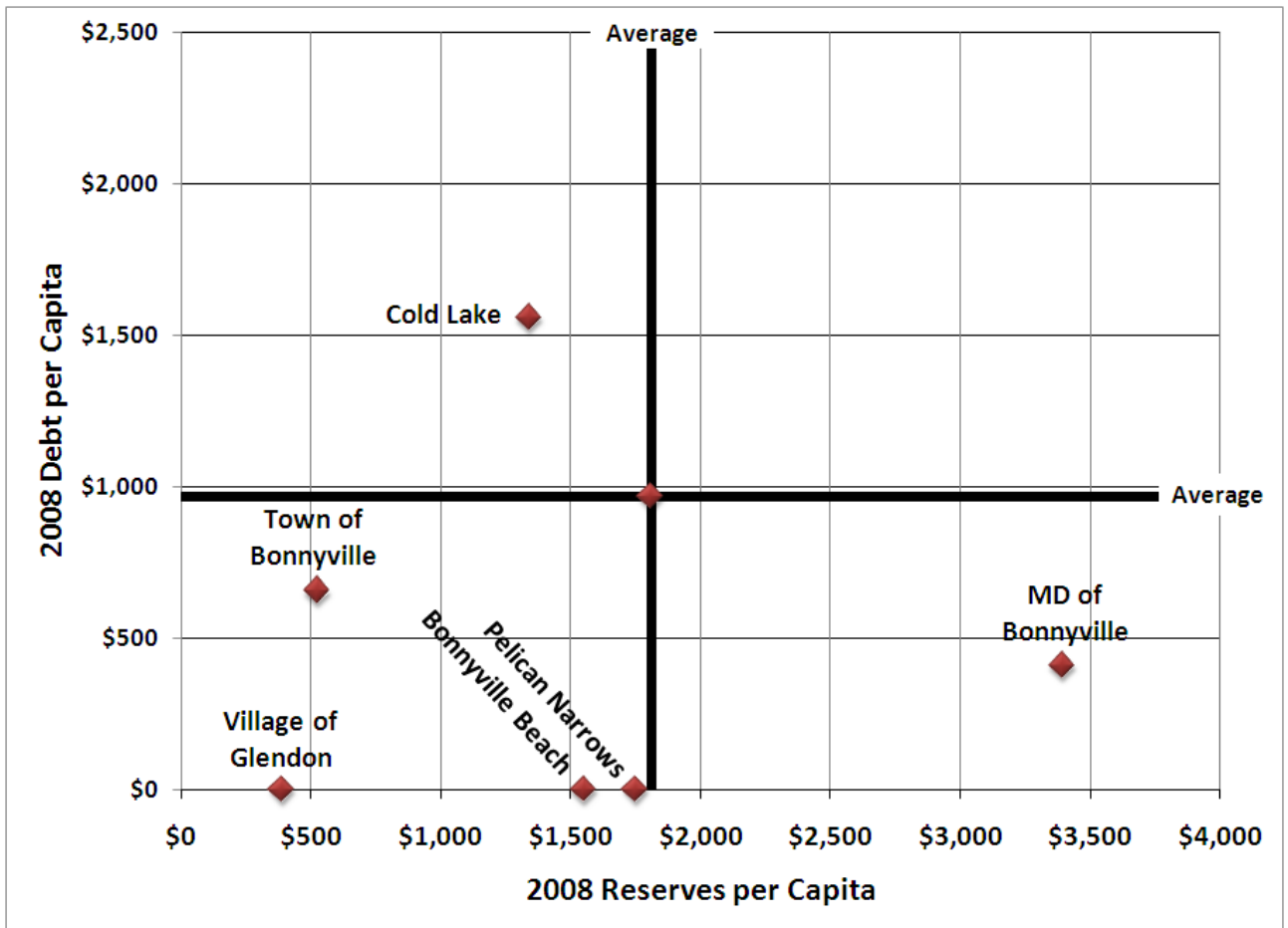

Cold Lake had the highest 2008 debt servicing ratio.

Reserve Balances - Cold Lake and Area:

The 6 year average per capita reserve balances of Cold Lake are the third lowest at $1,340 per capita. The MD of Bonnyville had an average reserve balance per capita of $3,393, which is more than 3 times as much as the other municipalities.
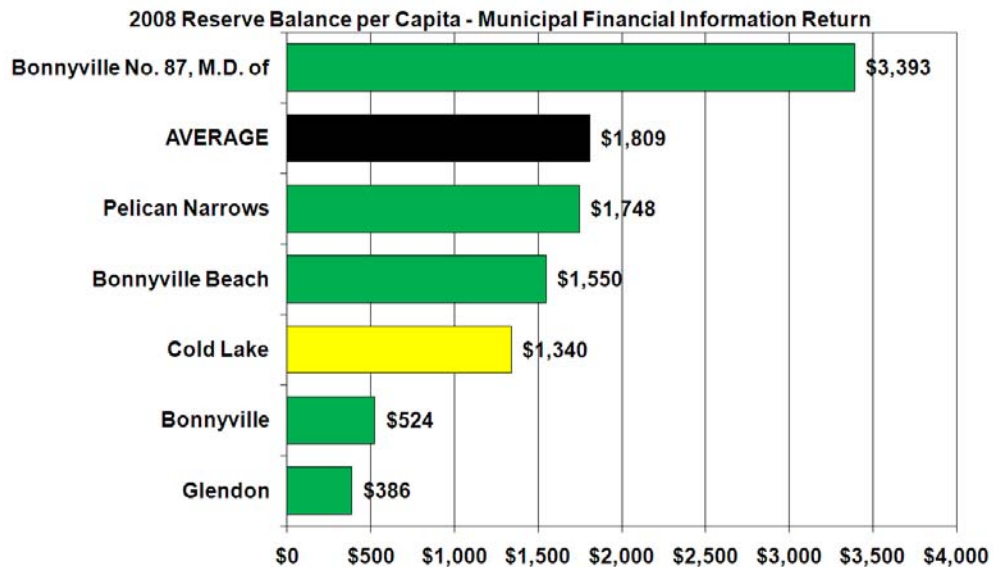
Reserves versus Debt:

A comparison of reserve balances to total debt reveals that Cold Lake had a higher than average debt per capita and lower than average reserves per capita. The MD of Bonnyville had both higher than average reserves per capita and lower than average debt per capita. The other four municipalities had below average debt per capita and below average reserves per capita.

The Village of Glendon and two summer villages did not have any debt over the six year period.

17.7 Summary of Audited Financial Statement Analysis:

Our review of the Audited Financial Statements found that;

- Consolidated Revenues increased by $33.5 million, or 30.4% per annum, from 2003 to 2008, of which;
  - ➢ $15.4 was Government Transfers,
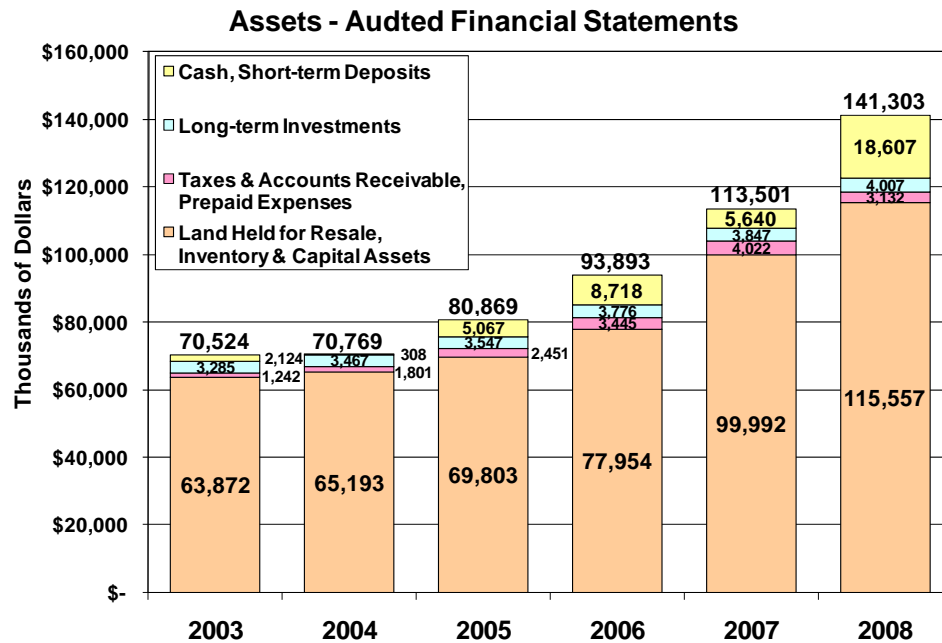 - ➢ $7.1 million were Net Tax increases, and

- ➢ $6.1 million was "All other income" which includes debenture proceeds and contributions.
- Government Grants totalled $33.4 million from 2003 to 2008, of which;
  - ➢ $10.2 million was Infrastructure Grants,
  - ➢ $5.0 million was for the Highway Twinning,
  - ➢ $4.3 million was Basic Capital, and
  - ➢ $3.0 million was for Community Facilities.
- Real Property Taxes have increased by an average annual rate of 17.9% over the past five years, this compares to a
  - ➢ 3.5% increase in school board requisitions,
  - ➢ 6.0% increase in taxes from the Military Base, and
  - ➢ 21.6% increase in net property taxes.
- Consolidated Expenditures increased by $22.1 million, or 22.8% per annum, from 2003 to 2008, of which;
  - ➢ $9.3 million was for Transportation Systems,
  - ➢ $6.8 million was Recreation and Culture, and
  - ➢ $2.6 million was Utility Systems.
- Cash & Short-term Deposits increased by $13 million over the past five years due to land sales and the receipt of grant funding for projects that have not yet been completed. It should also be noted that payables increased by almost $11 million over this same time period.
- Land, inventory and capital assets increased by a total of $51.7 million over the past five years, of which $46.7 million is due to the addition and refurbishment of engineering structures. The Energy Centre and its service road account for $19.8 million (42%) of total engineering structures from 2005 to 2008.
- Long term debt has increased by $12.7 million over the past five years, of which, the Energy Centre accounts for $9.75 million.
- Total reserves in 2008 were $17.2 million, of which conditional grants account for $9.8 million, or 57%.

Assets – Audited Financial Statements:

Over the past five years, from 2003 to 2008; Cash & Short-term Deposits increased the most in percentage terms; by an average

Assets - Audted Financial Statements

Thousands of Dollars

Legend:
- Cash, Short-term Deposits
- Long-term Investments
- Taxes & Accounts Receivable, Prepaid Expenses
- Land Held for Resale, Inventory & Capital Assets

| Year	Land Held for Resale, Inventory & Capital Assets	Taxes & Accounts Receivable, Prepaid Expenses	Long-term Investments	Cash, Short-term Deposits	Total
2003	63,872	1,242	3,285	2,124	70,524
2004	65,193	1,801	3,467	308	70,769
2005	69,803	2,451	3,547	5,067	80,869
2006	77,954	3,445	3,776	8,718	93,893
2007	99,992	4,022	3,847	5,640	113,501
2008	115,557	3,132	4,007	18,607	141,303

annual rate of 54.3%, or a total of $16.5 million since 2003. There was a significant increase in deposits of $13 million in 2008 which consists of $10 million in grant funding for projects not completed, namely; highway twinning $5 million, AMIP $2.5 million, MSI $1.5 million, and other grants totalling $1 million. The remaining $3 million is attributed to cash flow management and land sales totalling approximately $1 million dollars, which was put in reserves and invested. It should be noted that payables increased by almost $11 million in 2008.

Land, inventory and capital assets increased the most in dollars; by a total of $51.7 million or an average annual rate of 12.6% since 2003. The following four items account for two-thirds, or $30.7 million, of this increase.

> $18.0 million for the Energy Centre
> $5.3 million for the English Bay Road
> $4.1 million for street Improvements
> $3.3 million for the storm sewer on 43rd Avenue

Liabilities & Equity – Audited Financial Statements:

Liabilities & Equity - Audted Financial Statements
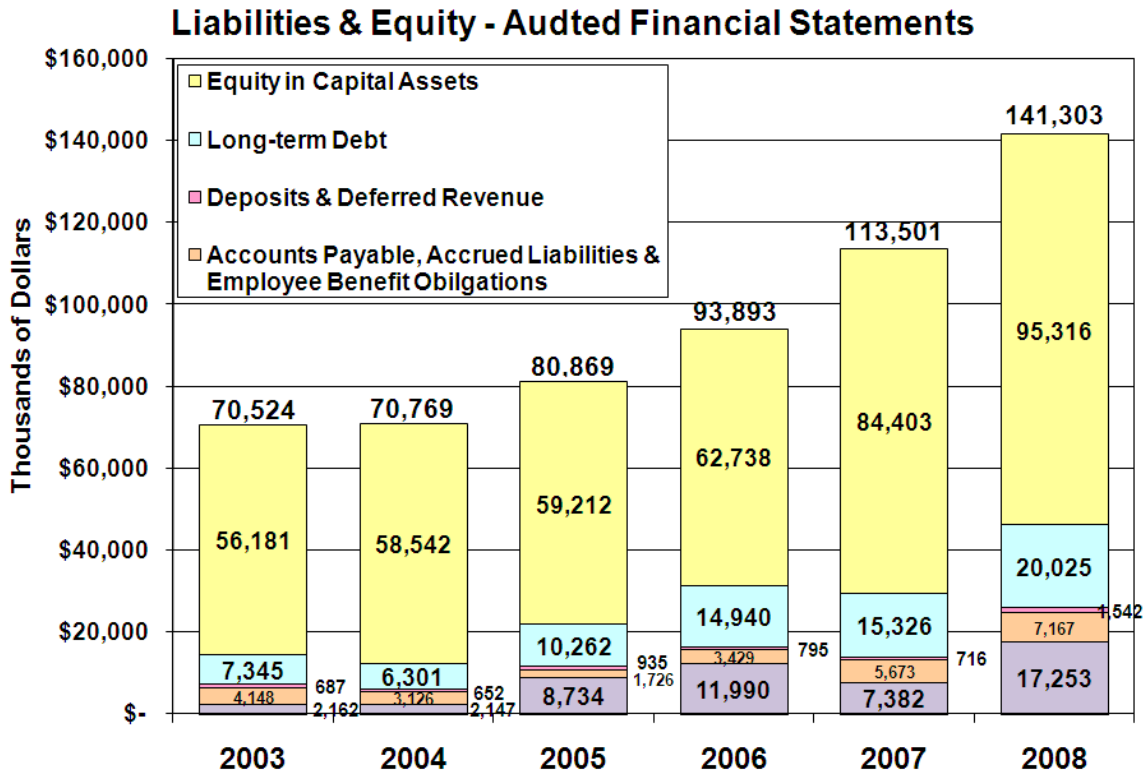
Over the past five years, from 2003 to 2008; Operating Fund & Reserves increased the most in percentage terms; by an average annual rate of 51.5%, or a total of $15.1 million since 2003. The majority of 2008 reserves are funded by grants totalling $9.8 million.

Debenture Proceeds

Debenture	Project	2005	2006	2007	2008	Total
200-FN-05	Separate School Services	1,300,000				1,300,000
210-FN-05	62nd Ave	1,050,000				1,050,000
199-FN-05	49th Street Sewer	875,400				875,400
201-FN-05	69th Ave Road Improvement	853,500				853,500
203-FN-05	Imperial Park San Sewer	847,000				847,000
202-FN-05	7th Ave	190,025				190,025
245-FN-06	Energy Centre		6,000,000			6,000,000
286-FN-07	43rd Storm Sewer			1,224,520		1,224,520
266-FN-06	43rd San Sewer			550,000		550,000
302-FN-07	Energy Centre				3,750,000	3,750,000
324-FN-08	English Bay Road				1,775,480	1,775,480
341-FN-08	Transfer Station				335,000	335,000
Totals		5,115,925	6,000,000	1,774,520	5,860,480	18,750,925

Equity in Capital Assets increased the most in dollars; by a total of $39.1 million or an average annual rate of 11.2% since 2003. From 2005 to 2008 $46.7 million was spent on the addition and refurbishment of engineering structures (refer to the table named "Engineering Structures").

Long Term Debt has increased the most in dollars; by a total of $12.7 million or an average annual rate of 22.2% since 2003, as described in the above table.

Engineering Structures

Item	2005	2006	2007	2008	Total
Energy Centre WIP		1,847,449	11,472,737	4,685,527	18,005,713
English Bay Road		60,919	1,847,266	3,349,303	5,257,488
Street Improvements	1,049,149	642,623	1,053,365	1,396,166	4,141,303
Storm Sewer-43rd Avenue	35,158	68,245	734,147	2,450,646	3,288,196
Energy Centre Service Road		254,316	1,505,031		1,759,347
Lakeland Catholic School	40,616	897,655	554,422	245,453	1,738,146
Parkbridge Servicing Project		10,526	1,338,952	191,659	1,541,137
69th Avenue Road Improvement	650,971	486,426		348,415	1,485,812
Imperial Park Sewer Line	1,143,372	148,730			1,292,102
49th Street Sanitary Sewer	214,740	971,968	20,000		1,206,708
62 Avenue Road Improvement	198,702	990,881			1,189,583
Kinosoo Lift		53,810	988,337	27,837	1,069,984
Utility Replacement	38,498	362,338	138,371	433,140	972,347
San Sewer 43rd		174,162	632,461	1,893	808,516
Horseshoe Bay Road				763,828	763,828
16th Avenue Phase I			71,769	644,708	716,477
7th Avenue Road Improvement	274,857	184,398	12,516		471,771
Imperial Park Facility(ball diamonds and Soccer)			216,445	190,033	406,478
Street Lightning			241,670		241,670
Highway 28 Twinning				122,568	122,568
50 Avenue Land Paving		39,670		54,298	93,968
North Reservoir Repair		86,182			86,182
Cemetery upgrades		13,680			13,680
Total	3,646,063	7,293,978	20,827,489	14,905,474	46,673,004

Consolidated Revenues – Audited Financial Statements:

Over the past five years, from 2003 to 2008, consolidated revenues increased by $33.5 million, or an average annual percentage rate of 30.4%; "All other income" increased the most in percentage terms; by an average annual rate of

Consolidated Revenues - Audited Financial Statements
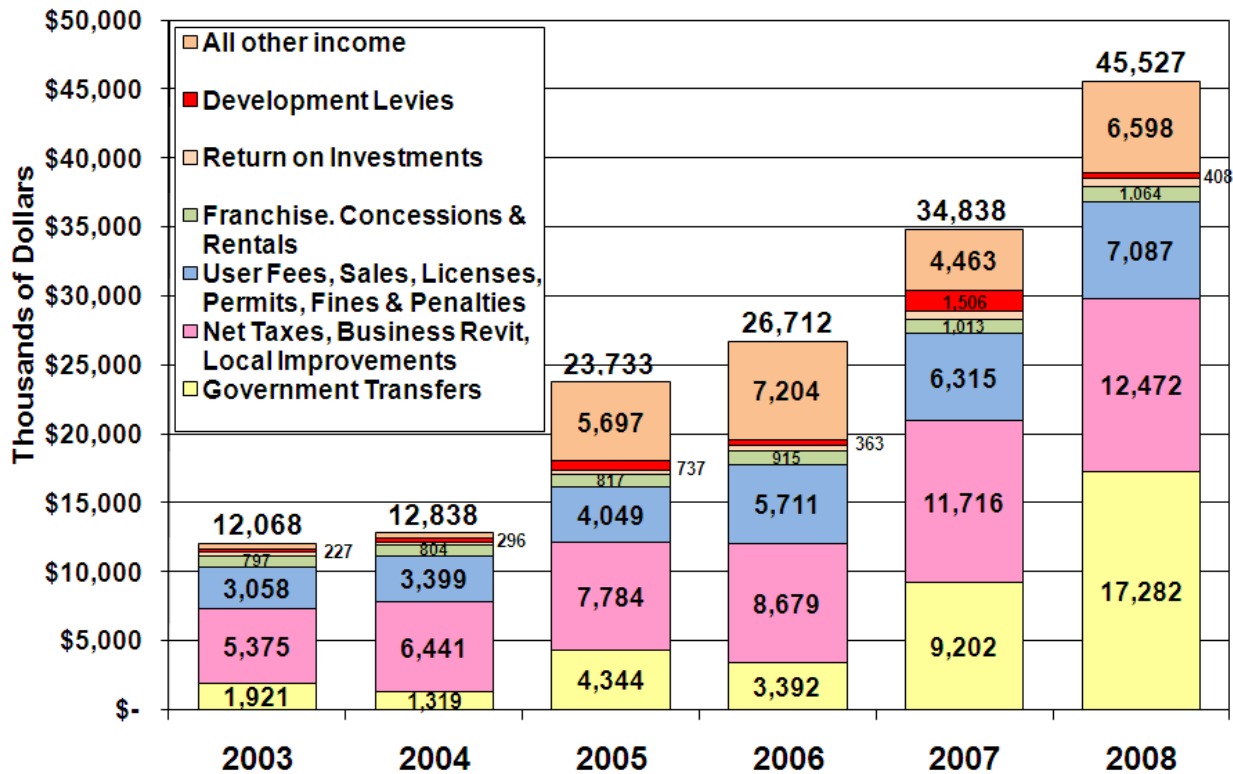
70.7%, or a total of $6.1 million since 2003. It should be noted that "Other Income" includes debenture proceeds plus contribution from other sources with some small amounts for Water Meter sales. Following are some of the larger amounts in "Other Income".

- 2005 debentures $5.1 million and contributions to the Energy Centre $300,000,

- 2006 debentures $6.0 million and contributions to the Energy Centre $1.0 million,

- 2007 debentures $1.8 million and contributions to the Energy Centre $2.2 million, and

- 2008 debentures $5.9 million and contributions to the Energy Centre $500,000.

Government Grants

Grant	2003	2004	2005	2006	2007	2008	Total
Infrastructure Grants	310,476	23,683	2,269,093	11,000	5,280,226	2,307,397	10,201,875
Highway Twinning						5,000,000	5,000,000
Basic Capital	695,700	695,700	695,700	695,700	695,700	771,600	4,250,100
Community Facilities			25,722			3,004,291	3,030,013
CAMRIF						2,663,435	2,663,435
Municipal Sustainability					708,534	1,495,945	2,204,479
Family Services	282,254	282,254	282,254	282,254	282,254	377,487	1,788,757
Centennial Legacy		27,223		1,700,000			1,727,223
Ambulance			211,745	211,745	211,745	158,809	794,044
New City Deal					719,935		719,935
Municipal sponsorship			151,300		120,408	155,673	427,381
Hwy Maint	55,636	55,636	55,636	55,636	58,379	58,379	339,302
Environmental					85,000		85,000
Community Initiatives	71,638						71,638
Summer employment	8,800	8,800	8,800	8,800	8,800	8,800	52,800
Emergency Mngt	12,000	7,000	9,000		5,000		33,000
Interest Stabilization	18,034	8,025	4,257	653			30,969
Dispute resolution			15,000				15,000
Totals	1,454,538	1,108,321	3,728,507	2,965,788	8,175,981	16,001,816	33,434,951

Government Transfers increased the most in dollars; by a total of $15.4 million or an average annual rate of 55.2% since 2003. The preceding table lists the
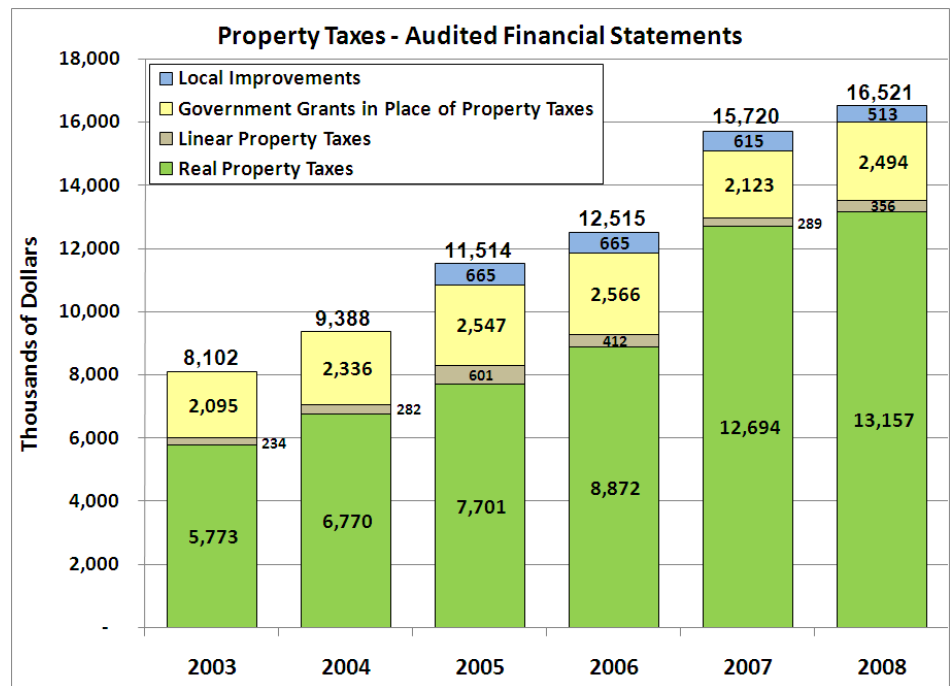

Government Transfers - Audited Financial Statements
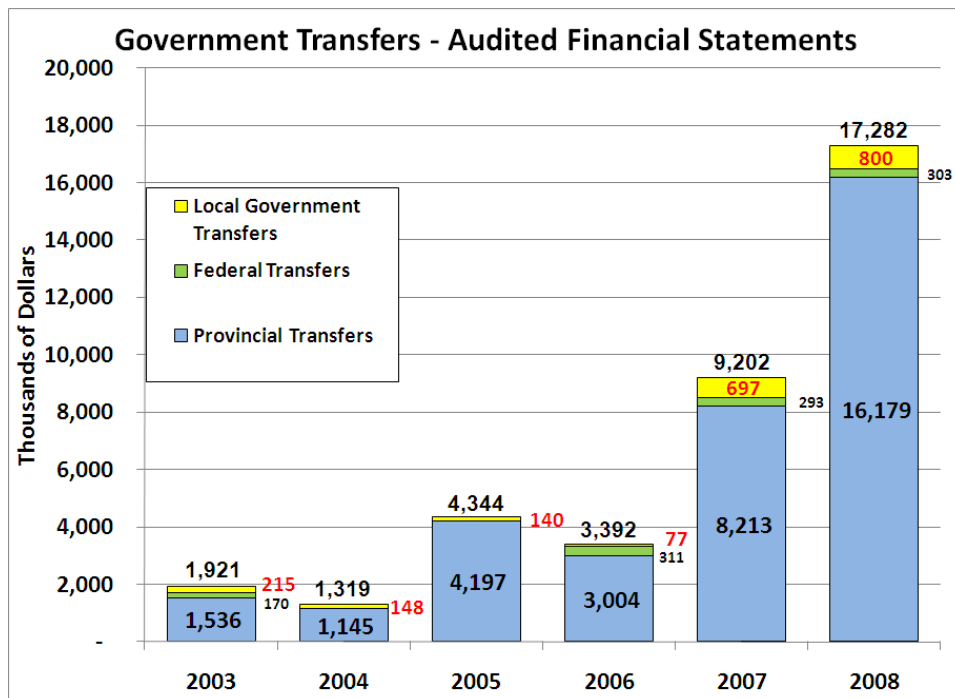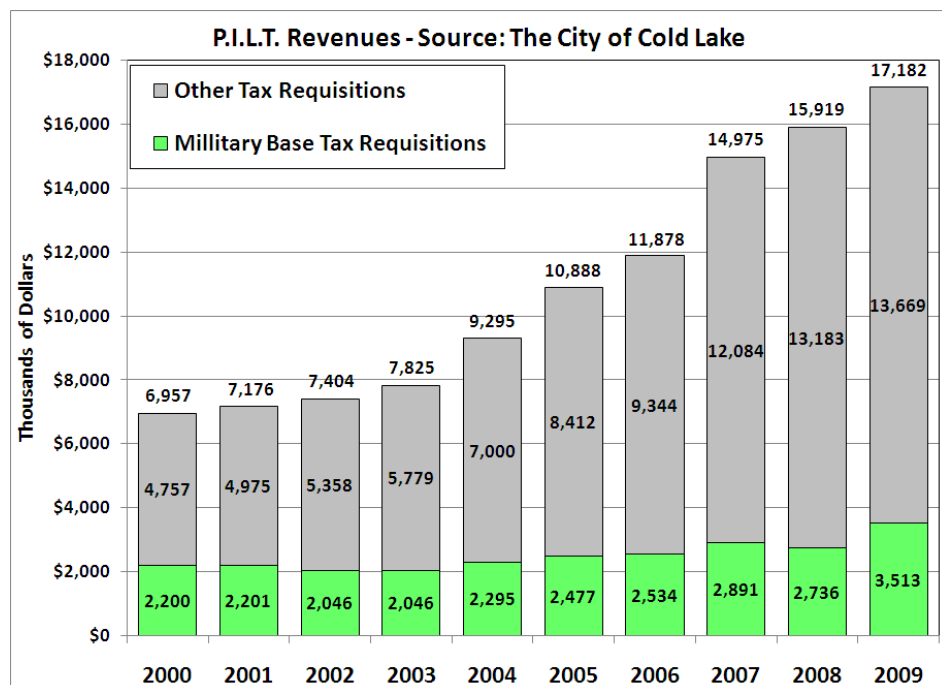
grants received from 2003 to 2008.

Property Taxes – Audited Financial Statements:

Over the past five years, from 2003 to 2008; Real Property Taxes increased the most in terms of both percentage and dollars; by an average annual rate of 17.9%, or a total of $7.4 million since 2003. Government Grants in Place of Property Taxes increased by a total of $0.4 million or an average annual rate of 3.6% since 2003. Prior to 2005


Local Improvements were recorded as tax revenues.

Over the past nine years, from 2000 to 2009, there has been an average annual increase of 10.6% in tax requisitions. Total tax requisitions from the military base have increased by an average annual rate of 5.3%, whereas requisitions from non-military base sources have increased by 12.4% per annum.
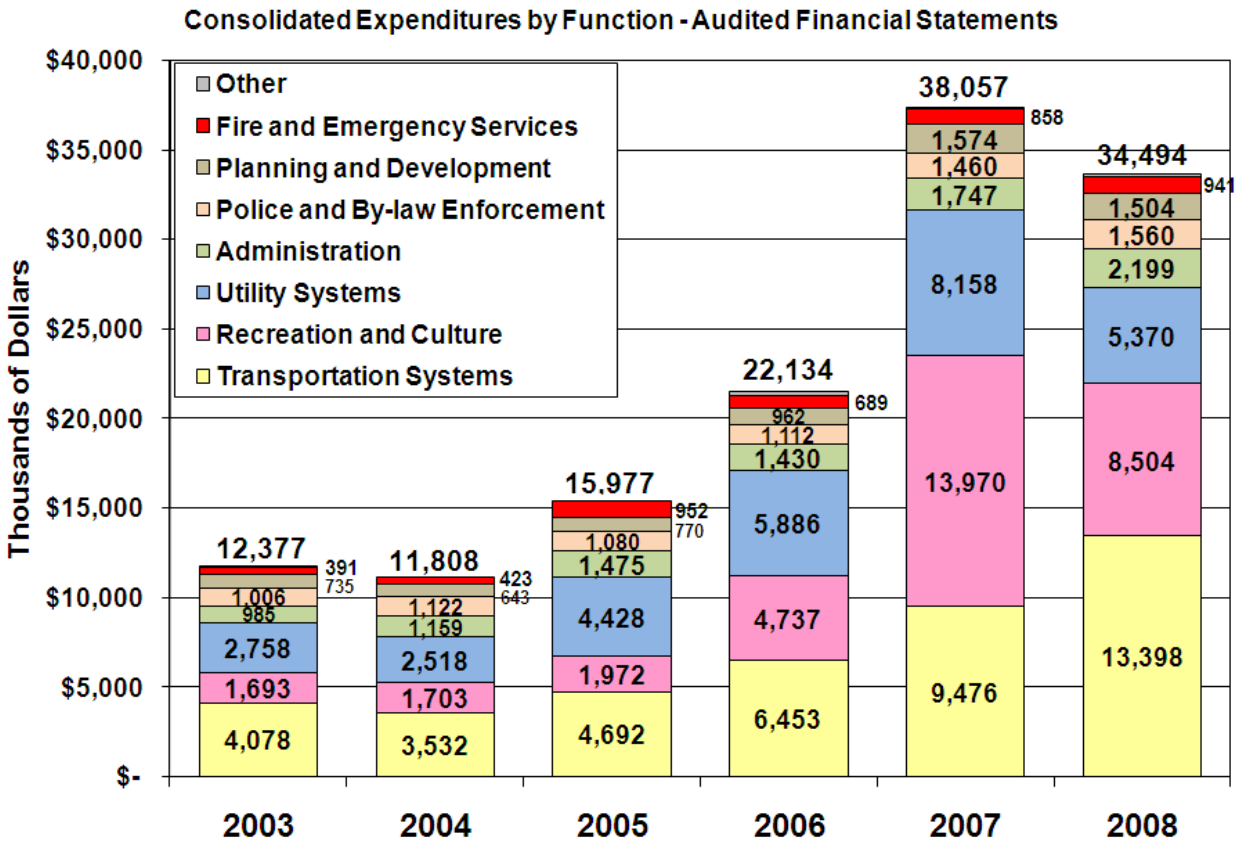
Net-property Taxes – Audited Financial Statements:

Over the past five years, from 2003 to 2008; Total Taxation increased by an average annual rate of 15.3%, or a total of $8.4 million since 2003. Requisitions increased by an average annual rate of 3.5%, or a total of $0.6 million since 2003. Net Taxes increased by an average annual rate of 21.6%, or a total of $7.8 million since 2003.
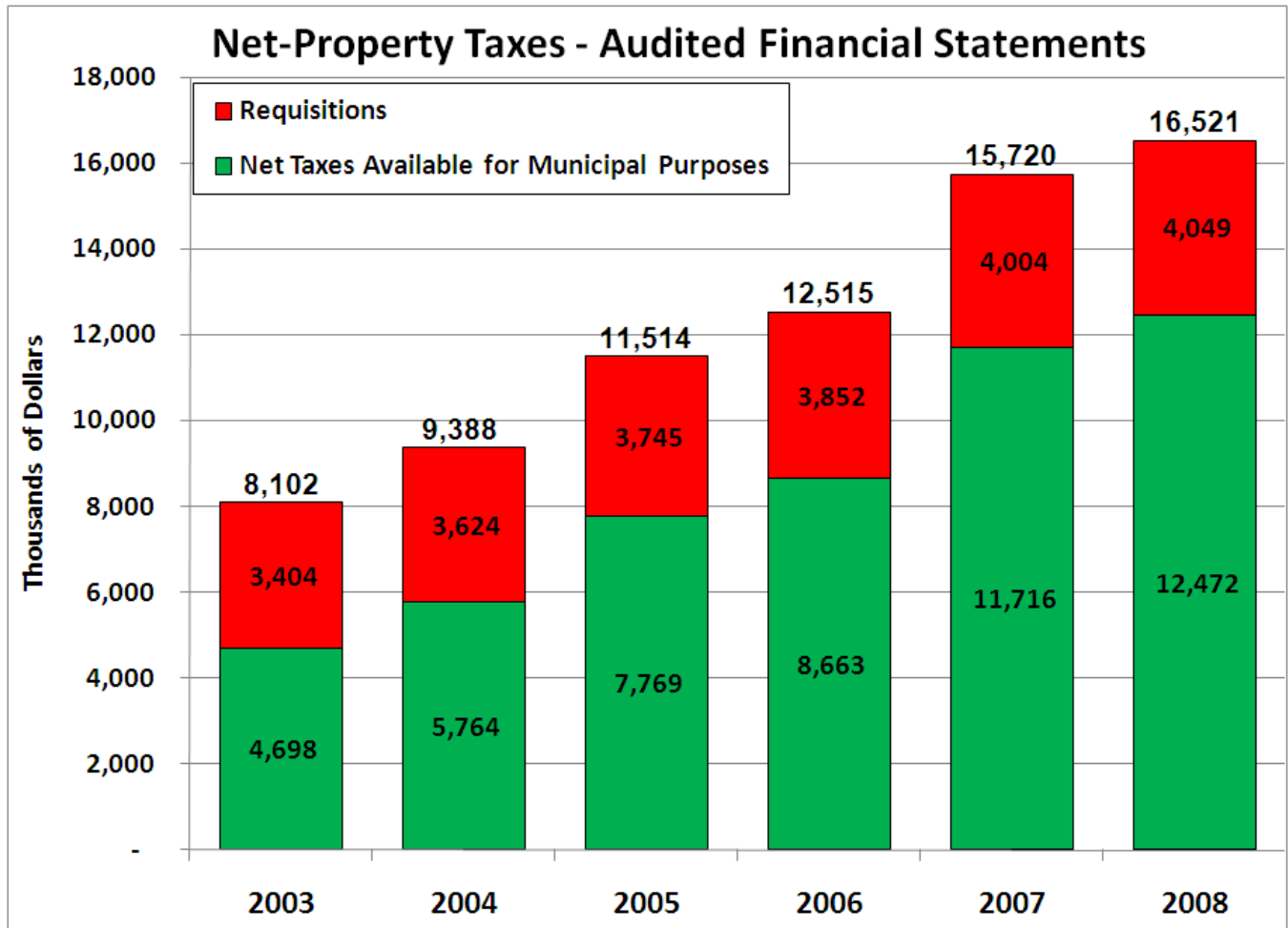
Consolidated Expenditures by Function – Audited Financial Statements:

Over the past five years, from 2003 to 2008, Consolidated Expenditures increased by 22.1 million, or an average annual percentage rate of 22.8%; Recreation and Culture increased the most in percentage terms; by an average annual rate of 38.1%, or a total of $6.8 million since 2003. Transportation Systems increased the most in dollars; by a total of $9.3 million or an average annual rate of 26.9% since 2003.

Consolidated Expenditures by Function - Audited Financial Statements

**Operating Expenditures by Object – Audited Financial Statements:**

Over the past five years, from 2003 to 2008; Total Expenditures have increased by an average annual rate of 22.8%, or a total of $22.1 million since 2003. Capital Assets Acquired increased the most in terms of both percentage and dollars; by an average annual rate of 37.7%, or a total of $12.6 million since 2003 (refer to previous sections on Assets, Liabilities and Equity for further details). Contracted and General Services increased by an average annual rate of 22.5%, or a total of $2.9 million since 2003.

Salaries, Wages and Benefits have increased by an average annual rate of 16.7%, or a total of $3.7 million since 2003. The increase in salaries over the last 4 years is due to the change in service delivery. The City has moved from external service delivery contracts to providing services with internal staff. Council continues to discuss the most efficient and cost effective ways to deliver the services. Marina operations, IST services and solid waste pickup are now provided by the City as well as a larger portion of road maintenance, snow clearing and utility maintenance. For example;

- The closure of the landfill resulted in the opening of a transfer station and hauling garbage to another location.

- A new recycling program has been implemented, which included curb side pickup to reduce the amount of garbage that has to be transferred.

- A new recreation facility has been opened in conjunction with the Portage College and the High School.

- The management structure has gone from a 6 director organization to 3 General Managers.

- Additional staff have been added to several departments such as: Planning, Human Resources, Legislative, Recreation and Community Services.

- The salary grid includes an annual step increase of 3.5% and an annual COLA increase of 2.4% to 4.5% over the past two years. It should be noted that staff did not receive a COLA increase in 2010.

- In 2008 Cold Lake's average Salaries, Wages & Benefits per capita was $528, which was 19% below the average of the 11 comparable municipalities (refer to previous sections for a list of the 11 municipalities); only the City of Brooks and Wainwright had a lower per capita rate.

Consolidated Fund Balances & Reserves – Audited Financial Statements:

Consolidated Surpluses, Deficits & Fund Balances
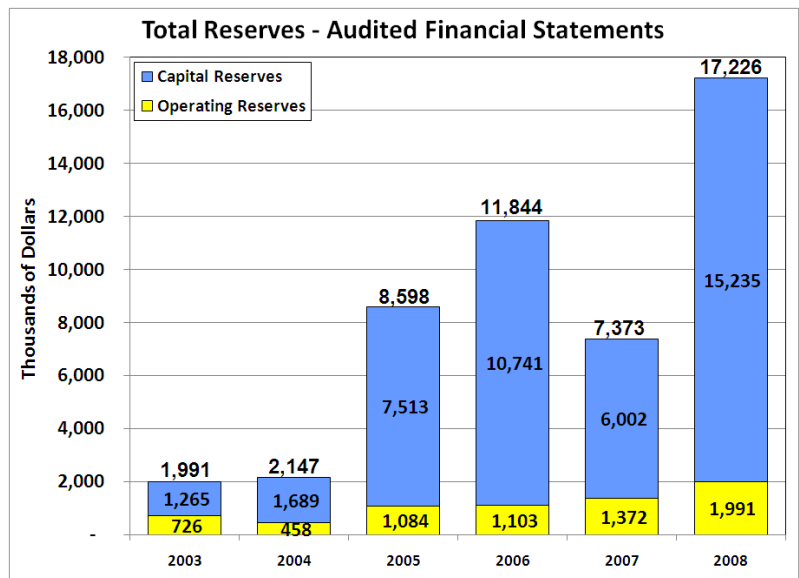**Audited Financial Statements**
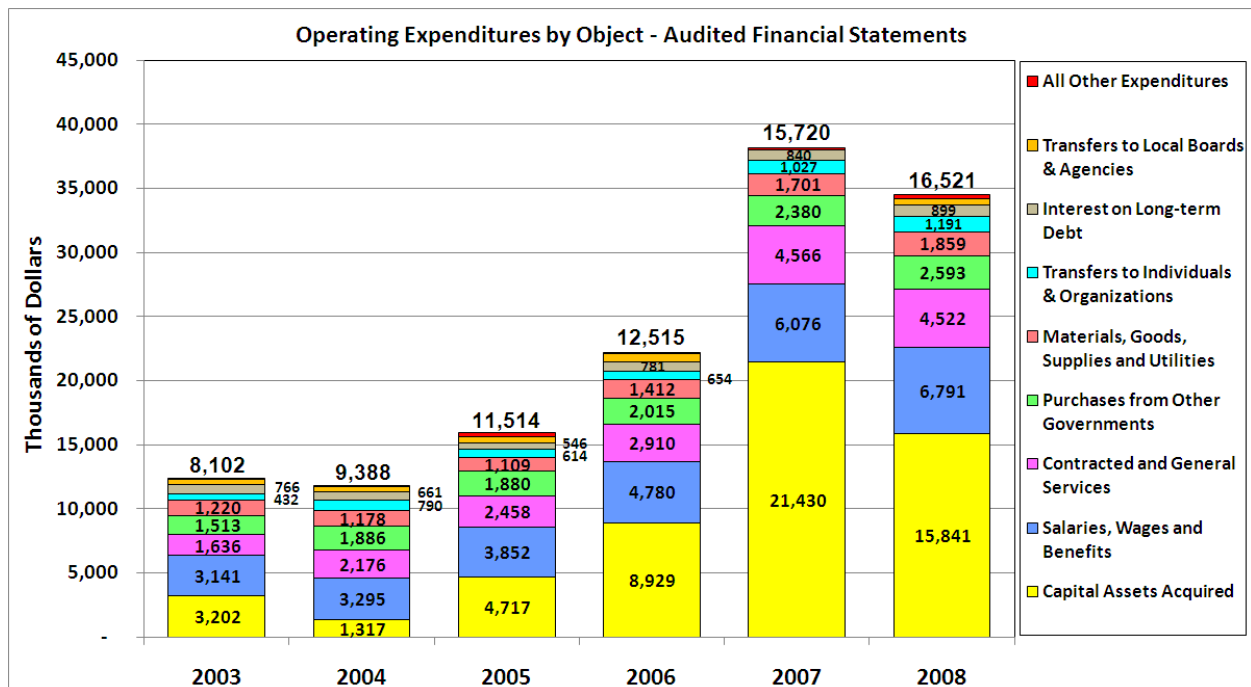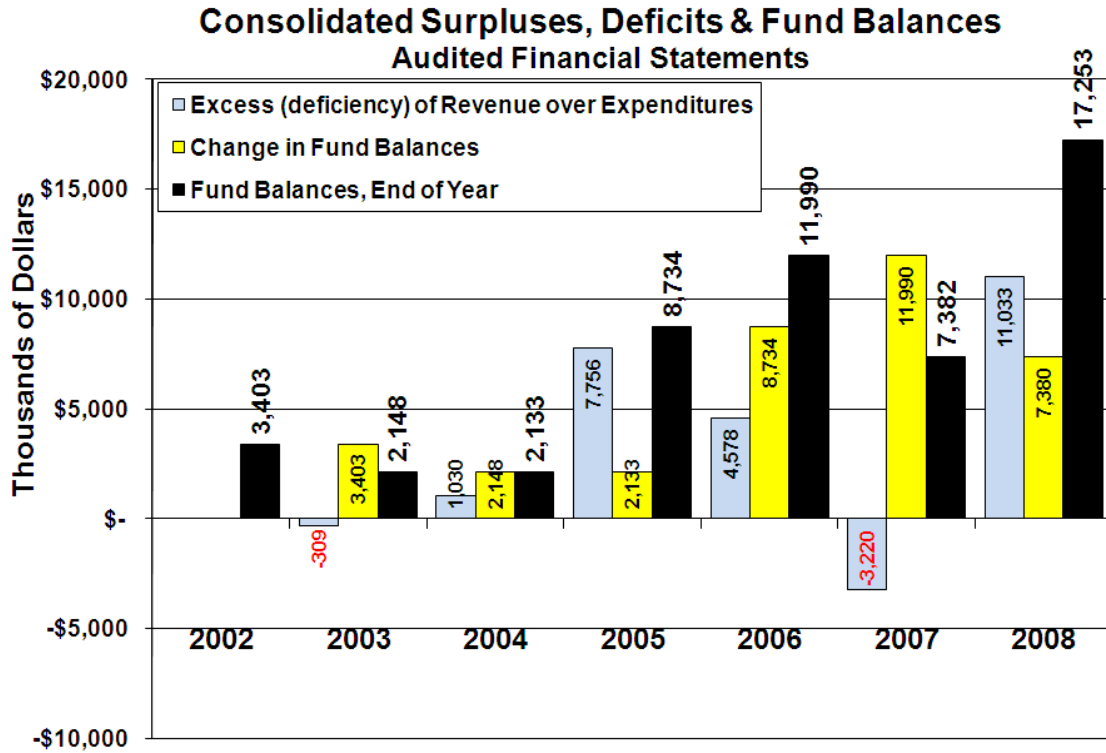
Total Fund Balances, or equity, has increased by $13.9 million since 2002. Reserves are fully funded and include restricted funds from grant funding for uncompleted projects. The majority of 2008 reserves are funded by grants totalling $9.8 million.

Over the past five years, from 2003 to 2008; Total Reserves have increased by an average annual rate of 54.0%, or a total of $15.2 million since 2003. Capital Reserves have increased the most; by an average annual rate of 64.5%, or a total of $14.0 million since 2003. Operating Reserves have increased by an average annual rate of 22.4%, or a total of $1.2 million since 2003.
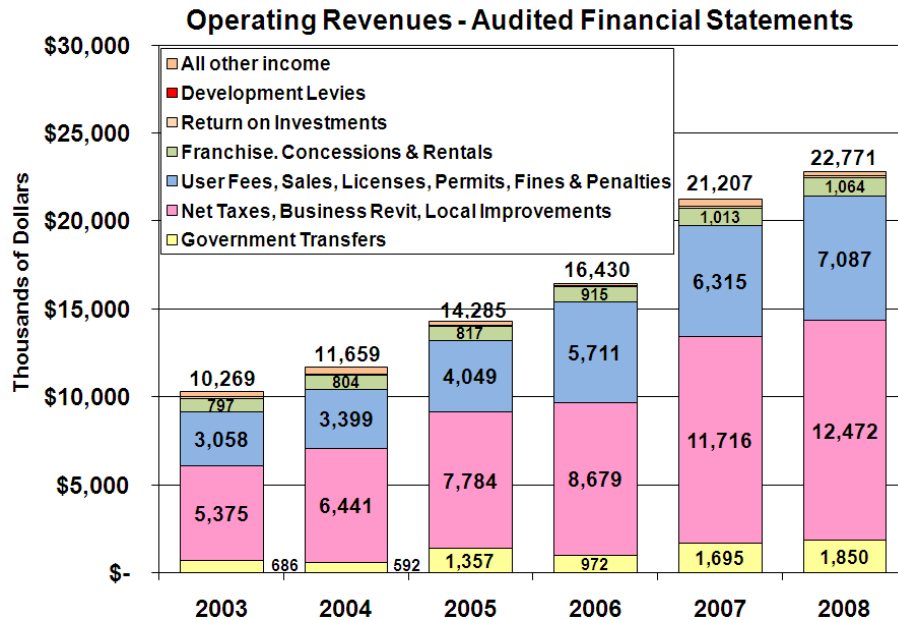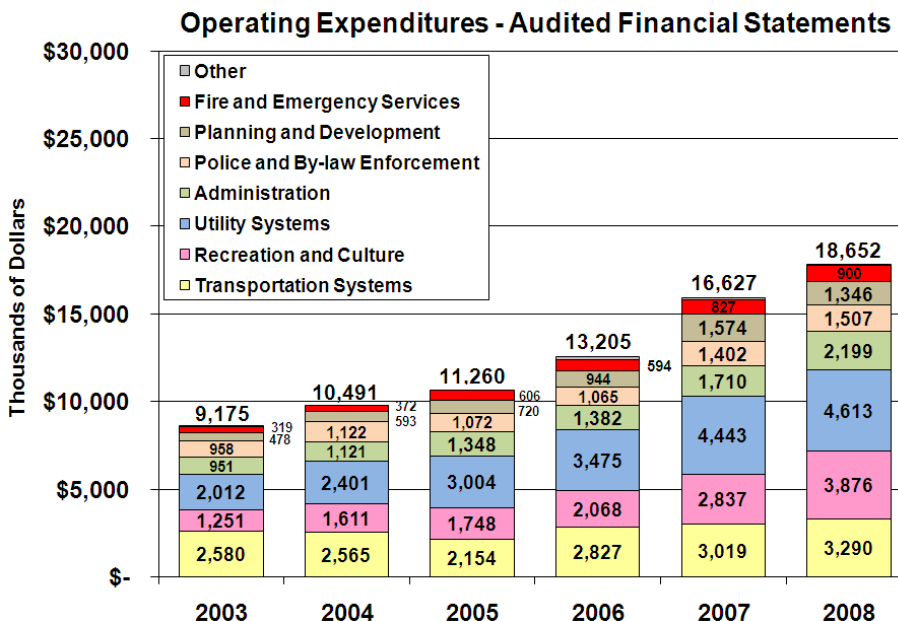
Operating Revenues – Audited Financial Statements:

Over the past five years, from 2003 to 2008, operating revenues increased by $12.5 million, or an average annual percentage rate of 17.3%; Government Transfers

Operating Revenues - Audited Financial Statements

Legend:
- All other income
- Development Levies
- Return on Investments
- Franchise. Concessions & Rentals
- User Fees, Sales, Licenses, Permits, Fines & Penalties
- Net Taxes, Business Revit, Local Improvements
- Government Transfers

Thousands of Dollars

	2003	2004	2005	2006	2007	2008
Total	10,269	11,659	14,285	16,430	21,207	22,771
All other income	797	804	817	915	1,013	1,064
User Fees	3,058	3,399	4,049	5,711	6,315	7,087
Net Taxes	5,375	6,441	7,784	8,679	11,716	12,472
Government Transfers		686	1,357	972	1,695	1,850
		592				

increased the most in percentage terms; by an average annual rate of 22.0%, or a total of $1.2 million since 2003. Net Taxes, Business Revitalization Zones, and Local Improvements increased the most in dollars; by a total of $7.1 million or an average annual rate of 18.3% since 2003. User Fees, Sales, Licenses, Permits, Fines & Penalties increased by a total of $4.0 million or an average annual rate of 18.3% since 2003.

Operating Expenditures – Audited Financial Statements:

Over the past five years, from 2003 to 2008, operating expenditures increased by $9.5 million, or an average annual percentage rate of 15.2%; Recreation and Culture increased the most in terms of percentage & dollars; by an average annual

Operating Expenditures - Audited Financial Statements

Legend:
- Other
- Fire and Emergency Services
- Planning and Development
- Police and By-law Enforcement
- Administration
- Utility Systems
- Recreation and Culture
- Transportation Systems

Thousands of Dollars

	2003	2004	2005	2006	2007	2008
Total	9,175	10,491	11,260	13,205	16,627	18,652
Other	319	372	606	594		900
	478	593	720			1,346
					827	
Police and By-law	958	1,122	1,072	1,065	1,574	1,507
Administration	951	1,121	1,348	944	1,402	2,199
Utility Systems	2,012	2,401	3,004	1,382	1,710	
				3,475	4,443	4,613
Recreation and Culture	1,251	1,611	1,748	2,068	2,837	3,876
Transportation Systems	2,580	2,565	2,154	2,827	3,019	3,290

rate of 25.4%, or a total of $2.6 million since 2003. Utility Systems increased by a total of $2.6 million or an average annual rate of 18.1% since 2003. Administration increased by a total of $1.2 million or an average annual rate of 18.2% since 2003.

17.8 Summary of Infrastructure Analysis:

The total replacement value of the existing infrastructure is estimated to be approximately $329 million, which is almost three times (2.86) the value of Capital Assets that appears in the Audited Financial Statements for December 31, 2008.

The average annual cost to replace existing capital assets, over the next 100 years is $17.6 million per year. The portion of this annual requirement that cannot be met by the municipality should be considered their "future" capital deficit.

The value of capital assets that are older than their expected life is $116.2 million. The portion of these assets that require immediate replacement would be considered the "current" capital deficit.

Assumptions:

The information used for the Infrastructure Analysis was provided by the City of Cold Lake. The assumed average useful life of the assets is as

Asset Category	Useful Service Life (years)
Lights	
50th Ave Decorative Lights	30
Marina Lights	30
Buildings & Land	
Buildings	40
Land (not included)	n/a
Roads & Sidewalks	
Curb & Gutter	30
Lanes	20
Roadway_Gravel	10
Roadway_Surface	10
Sidewalks	30
Vehicles & Mobile Equipment	10 to 25
Water & Sewer	
Water Infrastructure	50
Sewer Infrastructure	50

illustrated in the above table.

When the purchase or construction date was not available the consultant assumed the asset was at the mid-point of its useful life.

In the case of Machinery, Equipment and Vehicles the recording of values was not finished. The City of Cold Lake is continuing to research to determine accurate values. This analysis assumed that the asset values identified in their worksheets are the replacement value.

The reader should understand that the current analysis is an attempt at calculating the future capital needs for the City of Cold Lake using life-cycle costing techniques.

It is recommended that after the Tangible Capital Asset project is completed, the municipality should recalculate its future capital needs using the same or a similar method applied here.

Estimate of Total Capital Assets:

Total replacement value of the existing infrastructure, based on 2009 values, is
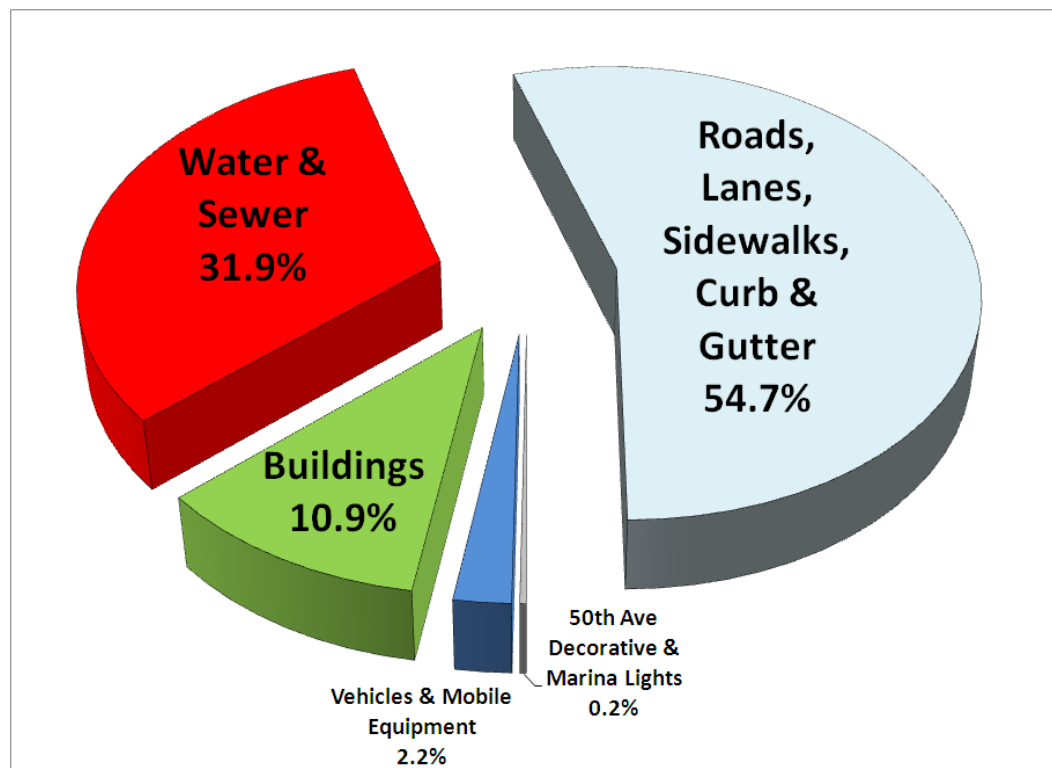
estimated to be approximately $329 million.

- Roads & Sidewalks, etc. $179.8 million (54.7%)

- Water & Sewer $104.9 million (31.9%)

- Buildings $35.9 million (10.9%)

- Vehicles & Mobile Equipment $7.4 million (2.2%)

- 50th Ave Decorative & Marina Lights $0.8 million (0.2%)

Assets by Acquisition Year
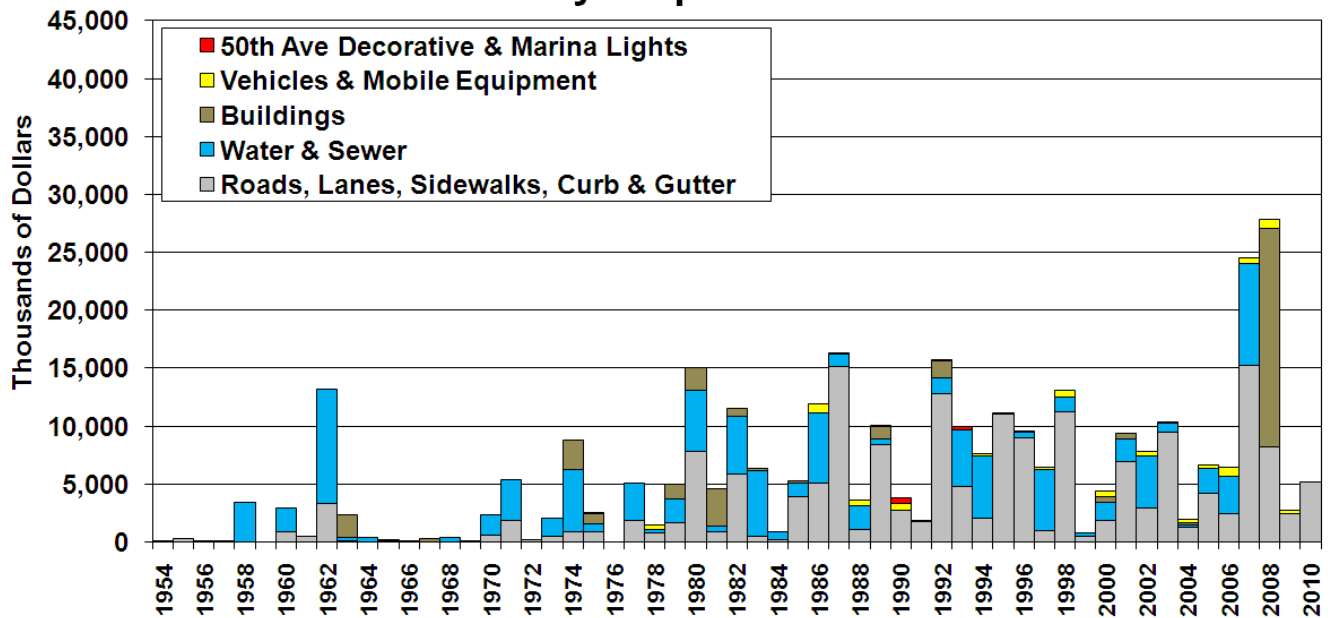
The above graph illustrates when the existing assets were purchased or constructed with their 2009 estimated replacement value. The average age, weighted by the replacement value, of all assets is 19 years. The average ages by category are as follows:

- 16 years for Roads & Sidewalks, etc.

- 25 years for Water & Sewer

- 15 years for Buildings

- 12 years for Vehicles & Mobile Equipment

- 19 years for 50th Ave Decorative & Marina Lights

Life-Cycle Analysis
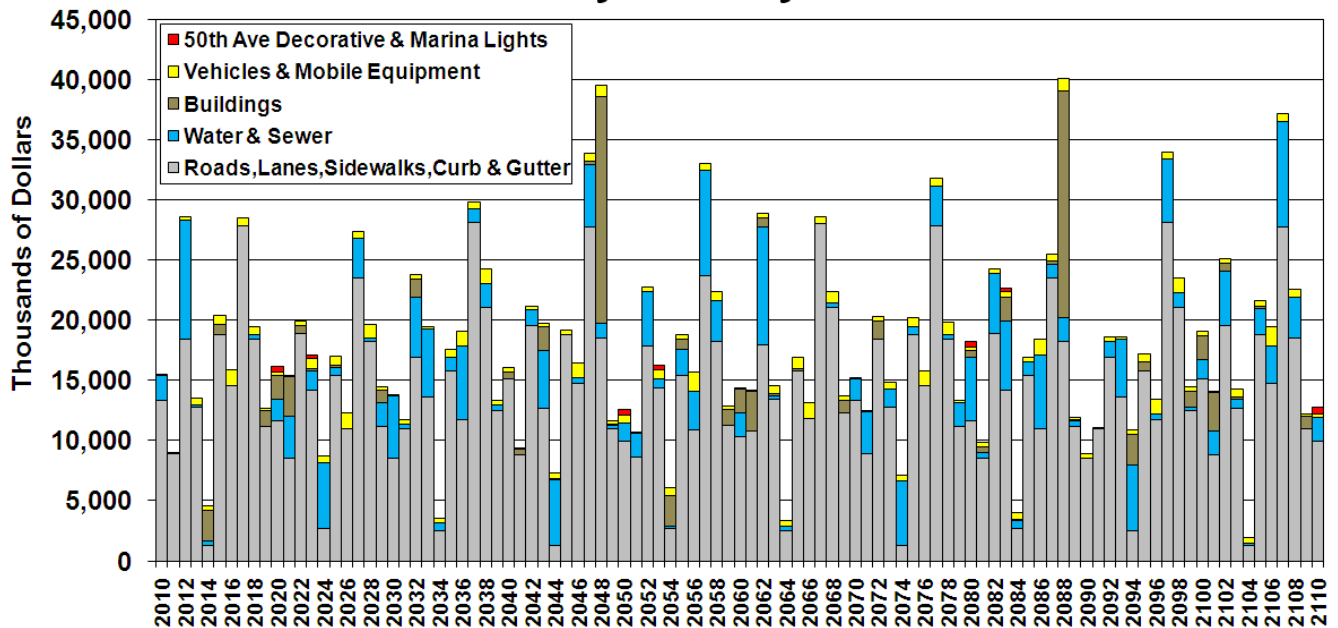
The above graph illustrates the projected future capital needs for the City of Cold Lake over the next 100 years, from 2010 to 2110. Applying Life-Cycle Costing techniques, the average annual capital needs for The City of Cold Lake over the next 100 years is approximately $17.6 million[8].

It should be noted that this projection of future capital needs is based on the information and assumptions described in the previous slides. The annual capital needs illustrated above do not represent individual assessments of specific assets; rather it represents the expected needs over the long-term based on the current age, value and standard life-cycle costing analysis.

The graph below illustrates the capital assets that, according to their acquisition date and assumed useful life, should have been replaced prior to 2010; i.e. they are fully depreciated. This analysis does not take into account the condition of the asset.

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[8] The City of Cold Lake uses a Useful Life of 50 years for Water and Sewer Infrastructure. Water and sewer mains are frequently assumed to have useful life of 75 years. If we make this adjustment to the analysis, the estimated annual capital needs are reduced by approximately $1.0 million to $16.6 million per year.

Assets Older than Expected Useful Life
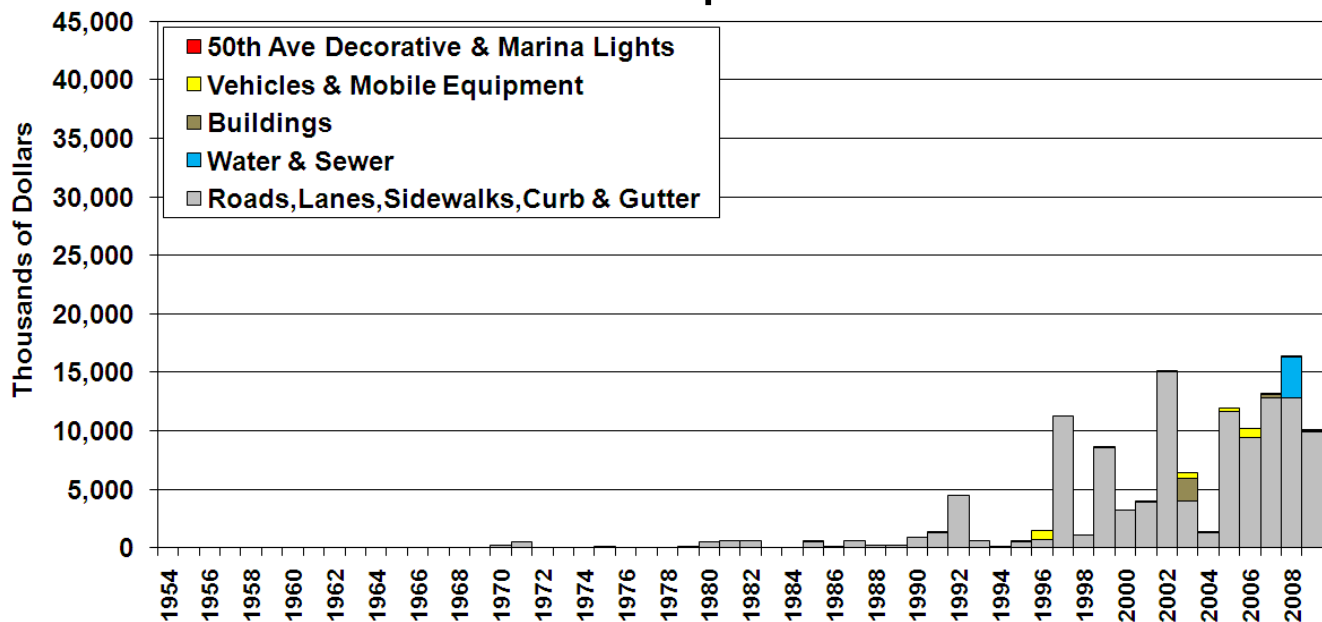
Assuming that fully depreciated assets (i.e. assets that are older than their assumed useful life) need to be replaced, then the estimated current deficit as at December 31, 2009 is $116.2 million less those assets that are still "useful".

It should be noted that this estimation is based on the information and assumptions described in the previous slides. The calculation of this deficit does take into account the current condition of the asset; i.e. some of the assets may not need to be replaced.

Recalculating the Annual Capital Requirement:

The useful life of an asset is the amount of time that an asset is expected to be used, which is typically understood to mean its productive or absolute physical life. However, the useful life is an estimate, which is dependent on the quality of the asset, its usage (i.e. typical wear and tear), the natural deterioration of the asset due to weather and the environment, technical obsolescence and/or significant changes in its use. Maintenance can partially offset normal wear and deterioration and hence extend the useful life. While the useful life is typically understood to be the period over which the asset is expected to be used, the actual life of a particular asset may extend beyond its predetermined useful life.

The Tangible Capital Assets Project Implementation Toolkit[9] recommended the maximum useful life for various asset categories. The City of Cold Lake applied these recommended periods, in some cases the applied useful life was less than the recommended maximum. For example, in the case of water and sewer infrastructure, the City applied a useful life of 50 years, whereas the recommended useful life of the various sub-categories ranges between 45 and 75 years. Applying a lower useful life will increase the calculated average annual life-cycled replacement costs. In the case of water mains, a 50 year useful life means the asset will be replaced three times over a period of 150 years, whereas a 75 year useful life will result in only two replacements. Applying the lower 50 year useful life increases in the estimated life-cycling cost over 150 years by 50%.

Adjusting the City of Cold Lake's useful life for Buildings, Roadway Gravel, Roadway Surface and Water and Sewer Infrastructure, as indicated in the table below, resulted in a revised average annual capital requirement of $11.6 million, as compared to the previously estimated $17.6 million per year.

Roads, Lanes, Sidewalks, Curb & Gutter have the largest impact on long term capital costs for the City; while they account for only 54.7% ($178 million) of total asset values, due to the their
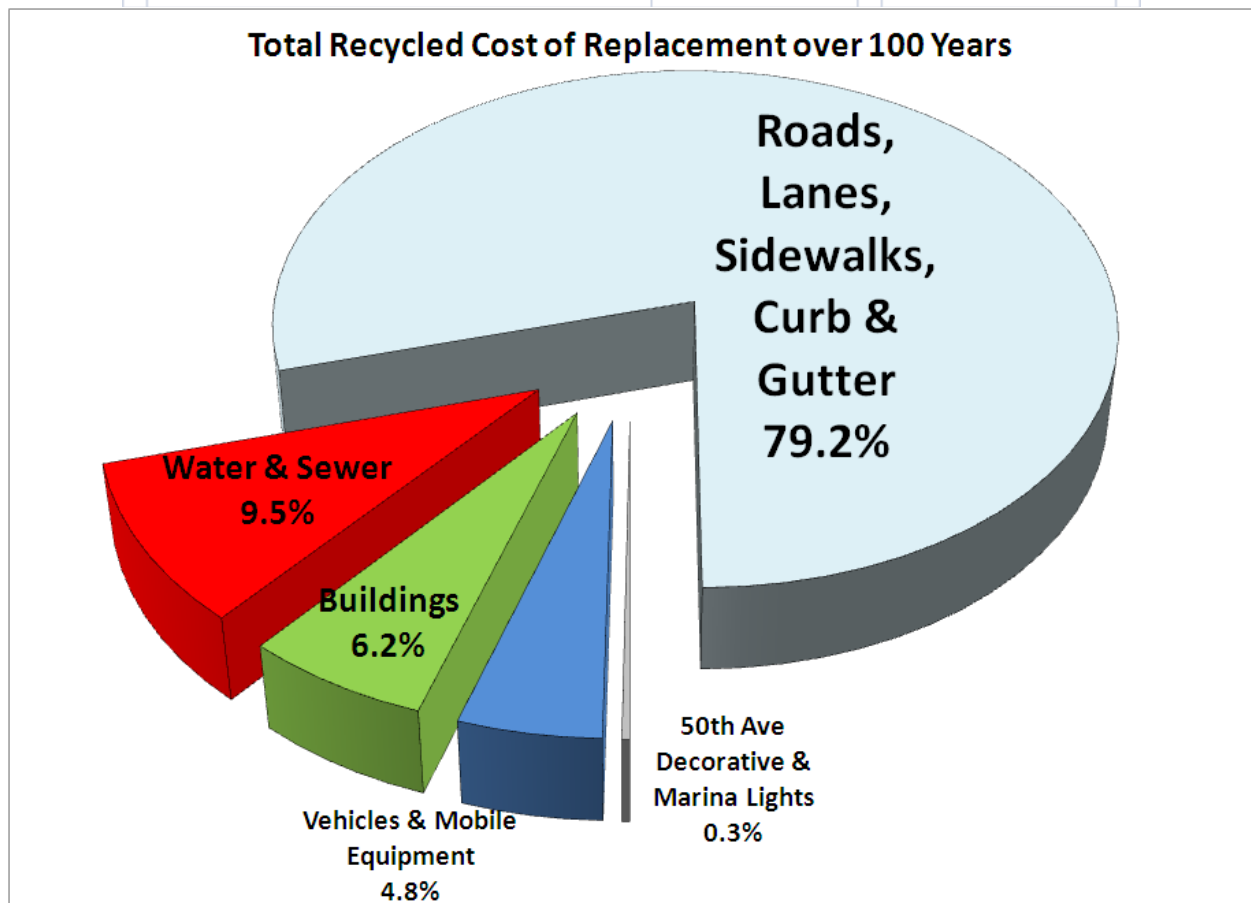
Asset Category	Useful Service Life (years)	Revised Useful Life (years)
Buildings & Land		
Buildings	40	50
Roads & Sidewalks		
Roadway_Gravel	10	15
Roadway_Surface	10	20
Water & Sewer		
Water Infrastructure	50	75
Sewer Infrastructure	50	75

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[9] Alberta Municipal Affairs (2008) Tangible Capital Assets Project – Implementation Toolkit (ISBN 978-0-7785-6842-1), Alberta Municipal Affairs, Edmonton, Alberta. For more information contact: Municipal Advisory Resources & Internship, Local Government Services, Alberta Municipal Affairs, www.menet.ab.ca.

relative useful life they account for 79.2% ($916 million) of total replacement costs over the next 100 years. The total cost of replacing assets over the next 100 years is $1.156 billion, which is 3.5 times greater than the 2009 replacement value of $328.8 million.

Asset Type	2009 Replacement Value (000's)		Total Recycled Cost of Replacement over 100 Years (000's)	
50th Ave Decorative & Marina Lights	$	810	$	2,948
Vehicles & Mobile Equipment	$	7,379	$	54,976
Buildings	$	35,948	$	71,896
Water & Sewer	$	104,886	$	110,355
Roads, Lanes, Sidewalks, Curb & Gutter	$	179,774	$	916,344
Total	$	328,797	$	1,156,519

Total Recycled Cost of Replacement over 100 Years

Roads, Lanes, Sidewalks, Curb & Gutter 79.2%

Water & Sewer 9.5%

Buildings 6.2%

50th Ave Decorative & Marina Lights 0.3%

Vehicles & Mobile Equipment 4.8%

17.9 Comparison of Tangible Capital Assets to Three Other Municipalities:

Alberta municipalities are in the final stages of inventorying their tangible capital assets (TCA) in order to comply with the new accounting standard; Public Sector Handbook Section 3150 (PS3150). This change is effective for the 2009 fiscal year.

TCA asset lists were obtained from the following three municipalities; the City of St. Albert, the City of Spruce Grove and the Municipality of Crowsnest Pass[10]. A 100 year life-cycle analysis was conducted on the TCA data to determine the average annual capital requirement for each municipality. The results of this analysis are contained in the following table.

| | | | | | Dollars per Capita | |
MUNICIPALITY	Population	Total Replacement Value of Assets ($)	Average Annual Capital Requirement ($)	Annual Requirement as % of Total Assets	Total Replacement Value ($)	Average Annual Capital Requirement ($)
Crowsnest Pass	5,749	$ 248,986,620	$ 7,822,951	3.14%	$ 43,310	$ 1,361
Cold Lake	12,860	$ 328,796,857	$ 11,565,192	3.52%	$ 25,567	$ 899
Spruce Grove	19,496	$ 430,858,697	$ 12,098,654	2.81%	$ 22,100	$ 621
St. Albert	58,501	$ 1,230,798,208	$ 36,618,370	2.98%	$ 21,039	$ 626
Total/Average	96,606	$ 2,239,440,382	$ 68,105,168	3.04%	$ 23,181	$ 705

Note: Replacement value for each municipality is a mixture of actual costs and estimated replacement values between 2003 and 2008
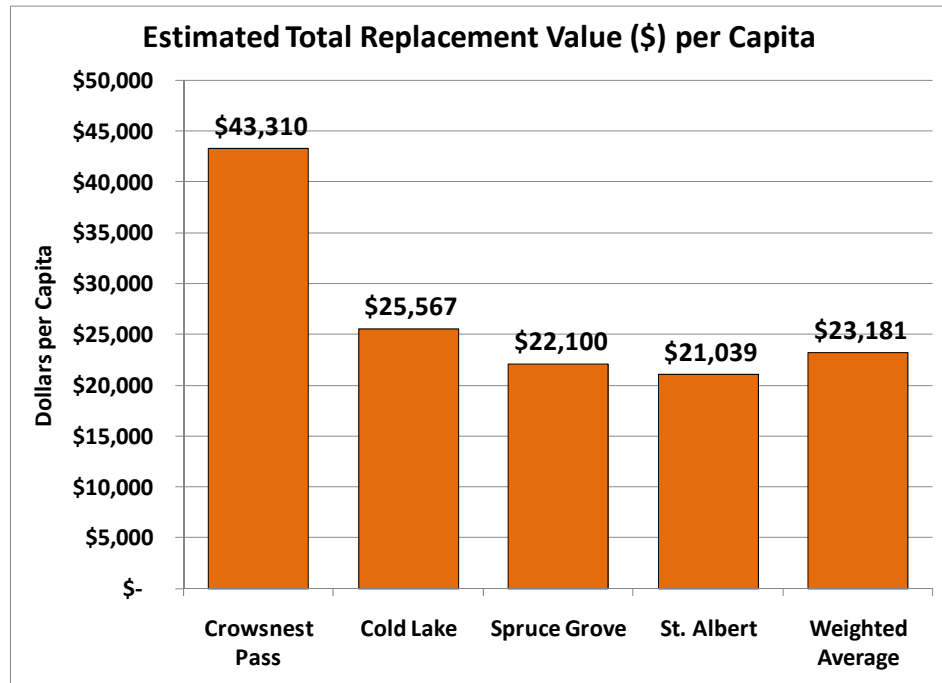
The annual capital requirement for each municipality was calculated by life-cycling each asset over a 100 year period from 2011 to 2110 based on the asset's acquisition date and its useful life[11]. The total value of assets for the four municipalities is estimated to be $2.239 billion, resulting in an average value of $23,181 in assets per person. The average annual capital replacement requirement for all four municipalities is estimated to be $68.1 million, which equates to an average annual capital requirement of $705 per person.

[10] The TCA data for the Municipality of Crowsnest Pass was obtained from the *"Report on the Corporate Review"* conducted by George B. Cuff & Associates Ltd in October 2009.
[11] The Tangible Capital Assets Project Implementation Toolkit recommended the maximum useful life for various asset categories. The City of Cold Lake applied these recommended periods; however, in some cases Cold Lake applied a useful life that was significantly less than the recommended maximum. In these cases, for comparative purposes, the useful life was adjusted to concur with the recommended maximum. This may result in an underestimation of Cold Lake's annual capital requirements by as much as 52%.

On a per capita basis, the residents of Cold Lake are supporting 10.3% more in assets than the average; i.e. for Cold Lake there is $25,567 of assets per
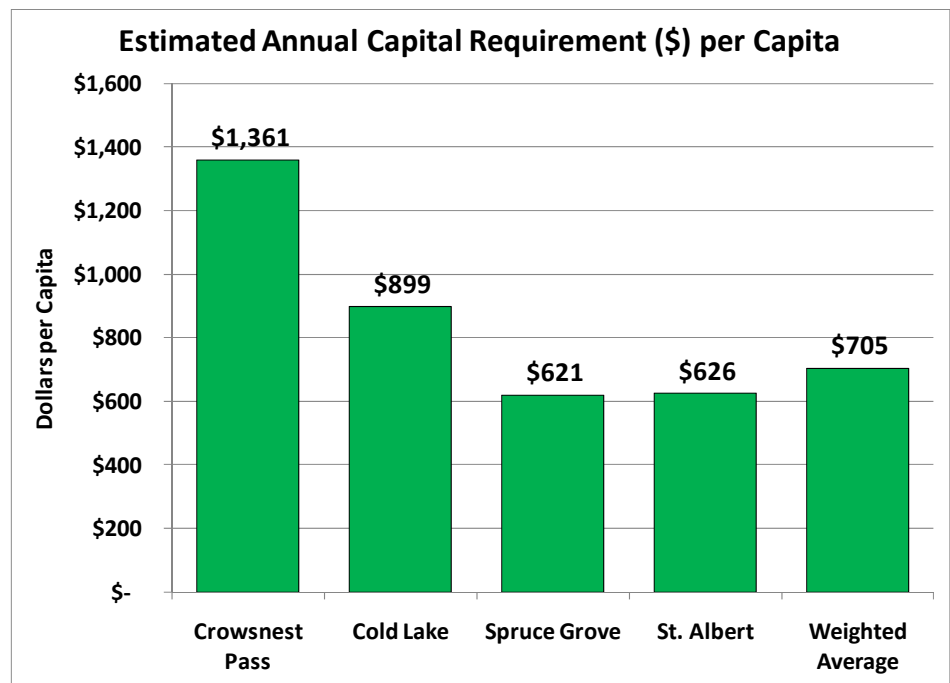
Estimated Total Replacement Value ($) per Capita

Dollars per Capita

Municipality	Value
Crowsnest Pass	$43,310
Cold Lake	$25,567
Spruce Grove	$22,100
St. Albert	$21,039
Weighted Average	$23,181

person versus an average of $23,181 per person for all four municipalities.

Similarly, the average annual replacement needs of Cold Lake are 27.6% greater than the average of the four municipalities combined; i.e. for Cold Lake the average annual capital requirement over the next 100 years is $899 per person versus an average of $705 per person for all four municipalities.

The Municipality of Crowsnest Pass has the highest value of assets per capita ($43,310) and the

Estimated Annual Capital Requirement ($) per Capita

Dollars per Capita

Municipality	Value
Crowsnest Pass	$1,361
Cold Lake	$899
Spruce Grove	$621
St. Albert	$626
Weighted Average	$705

highest annual per capita replacement requirement ($1,361).

17.10 Developer Levies – 1996 to 2008:

From 1996 to 2008 a total of 218.7 hectares of land was developed or approved to be developed in the City of Cold Lake; this resulted in a total of $4.15 million in development levies to the City. The City currently owns 340 hectares of land, of which 8.5 hectares are ready for development.

Offsite levies are not collected at the time the developer signs the development

Developers' Agreements & Levies, 1996-2008 Municipal Financial Information Return
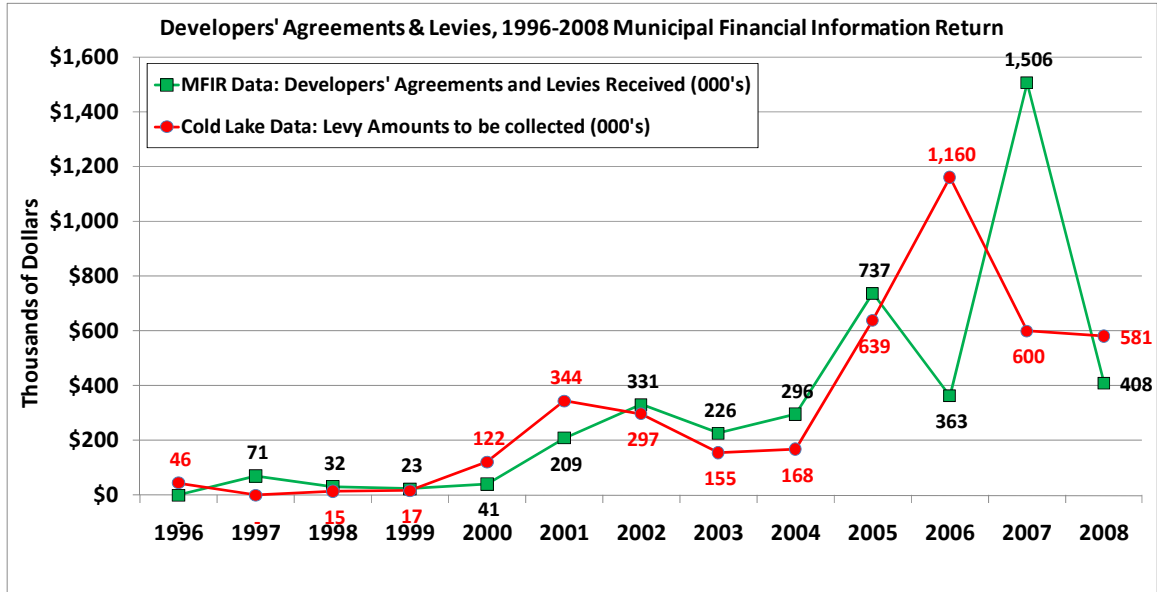
agreement for the area. Levy amounts are assigned to each lot and collected when the lot is developed, this means that there can be as much as a two year

Land Developed versus Amount Levied per Hectare, 1996-2008
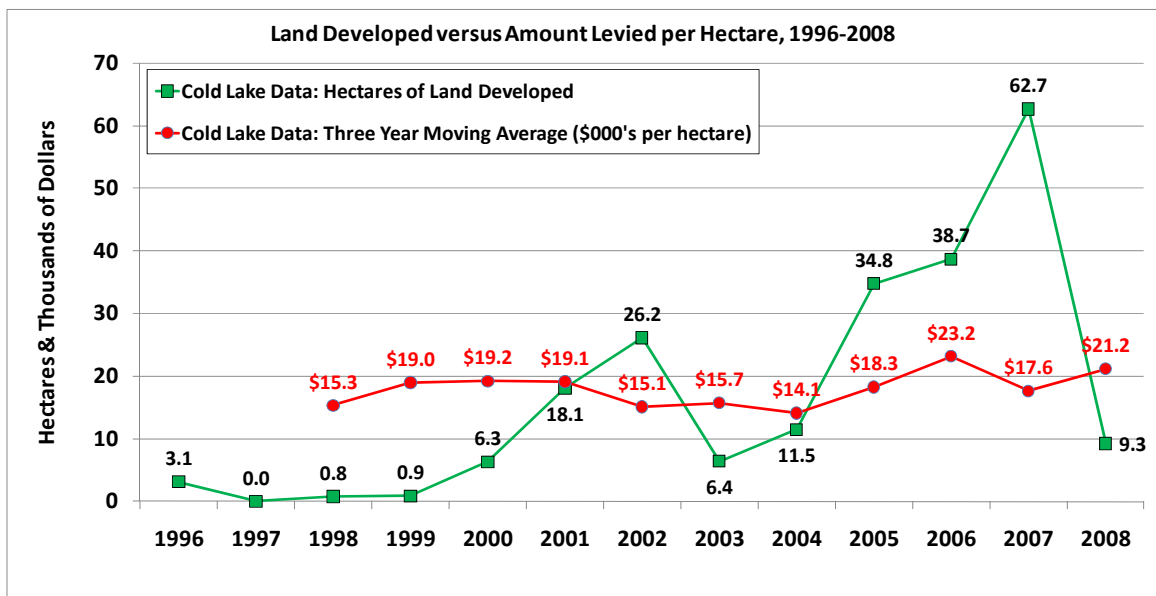
gap between when the agreement is signed and when the revenue is collected. The graphs above illustrate this time interval.

Because of the difference between when the agreements are signed and when the levies are collected a three year moving average of dollars-per-hectare was calculated. From 1996 to 2008 the three year moving average was $18,953 per hectare; fluctuating between $14,101 and $23,161 per hectare. The City currently charges $102,489 per hectare, up from $65,130 in 2006, and $26,000 to $35,000 in 2004. Following is a history of the changes in off-site levies since 1996.

The history of Offsite Levies:

1996 $13,000 per hectare

April 13, 2004

> $26,000 Single Family Residential,
>
> $30,000 Multi-family residential, and
>
> $35,000 Commercial

June 19, 2006 a total of $65,130 per hectare, this consisted of

> $7,135 Water,
>
> $4,173 Waste water,
>
> $1,654 Storm water
>
> $27,130 Pond Management, and
>
> $25,038 Roadways

April 10, 2007 a total of $102,489 per hectare, this consisted of

> $11,768 Water,
>
> $9,115 Waste water,
>
> $3,310 Storm water,
>
> $53,873 Pond Management, and
>
> $24,423 Roadways

In both 2006 and 2007 administration brought to Council a proposal for offsite levies to be fully funded by the developer, as the offsite levies were insufficient due to rapid growth and the elevating costs of infrastructure. In 2006 Council voted in favour of the tax payer covering a portion of the offsite levies but in

2007 after presentation of an 87% increase in taxes during budget deliberations council voted to increase the developer contribution to 100%.

The process for the collection off-site levies varies from municipality to municipality. Some municipalities collect the off-site levies at the signing of a development agreement, while other municipalities collect off-site levies on a stage-by-stage basis for a subdivision development; that is, at the commencement of each stage of development, a portion of the total levy is paid. The reason for these different approaches to the collection of off-site levies is due to varying views and opinions concerning economic conditions and the development industry. If the economy is healthy and vibrant then the upfront collection of off-site levies is usually not an issue. However, when the economy is weak or in a recession, a municipality may opt to encourage development by allowing a staged approached to off-site levy collection. It should be noted that the MGA does not specify when off-site levies should be collected; refer to Section 648 (1) (a) of the MGA.

Offsite levies are meant to pay for the cost of the infrastructure associated with development and the servicing of the new development. These costs start almost immediately as roads, water, sewer and parks are constructed. Furthermore, new developments add pressure on existing infrastructure; e.g. recreation centres, libraries, etc.

The collection of off-site levies could be paid up front; at the time the development agreement is signed. When a developer signs off on a development agreement they could be required to submit all security, insurance, and any levies that have been identified under the agreement. Given the City of Cold Lake's current financial condition, the City might consider not signing off on development agreements or endorse the subdivision until all requirements have been met and levies collected. Collecting the funds up front would improve the City's cash flow, thereby allowing the municipality to maximize its reserve balances and increase its investment income. Collecting the levies on a stage-by-stage basis will reduce investment income and increase the need to borrow. Having said that, when deciding which approach to take to the collection of off-

site levies, the City should carefully consider current and anticipated future economic conditions and the health of the development industry.

17.11 Various Trends from 1996 to 2008 – Cold Lake:

Total consolidated revenues increased almost four-fold (377%) from 1997 to 2008. Net property tax revenue almost tripled from 1997 to 2008; increasing by $7.9 million (194%) from $4.1 million to $12.0 million. On a per capita basis, revenues increased by 110%. This compares to an increase of 38% in the Consumer Price Index over the same period.

Sales & User Charges increased by 168% from 1997 to 2008; increasing from $2.4 million to $6.2 million. All other revenues increased by 314% from 1997 to 2008; increasing from $2.4 million to $10.1 million.

Consolidated Revenues, 1996-2008 - Municipal Financial Information Return
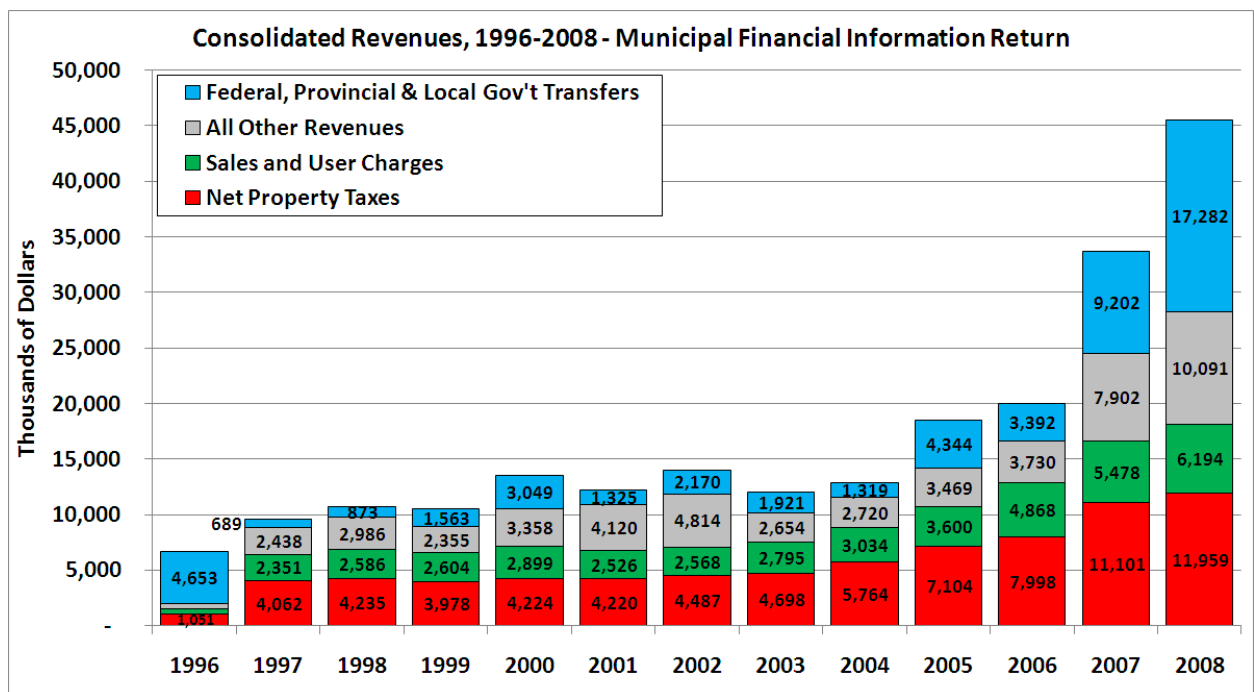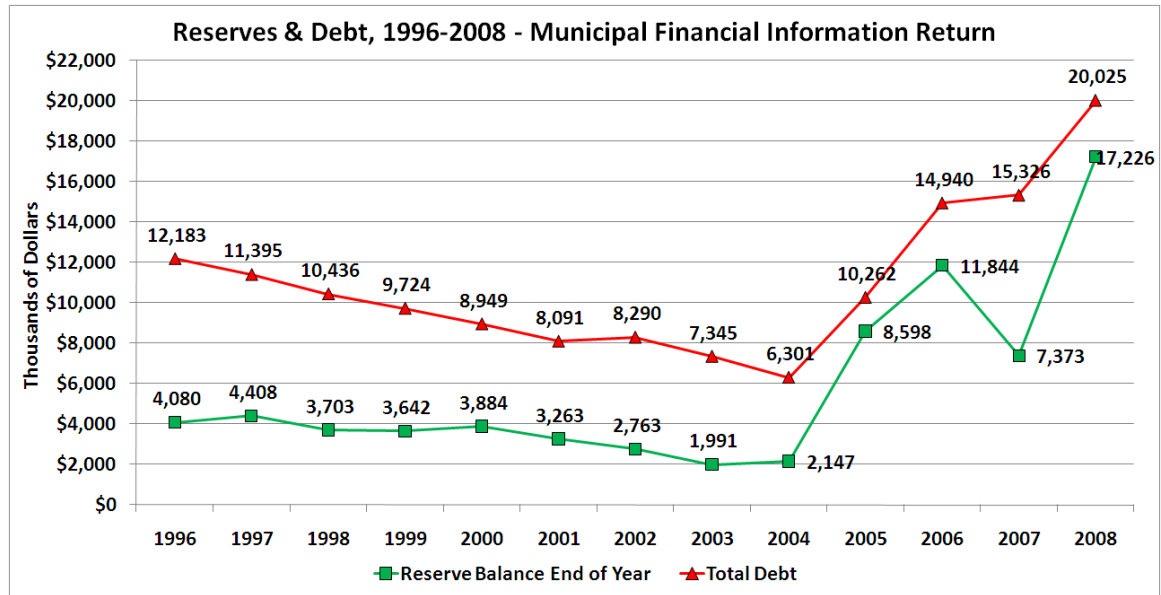
From 1996 to 2004 both Reserves and Debt decreased by 47% and 48%, respectively, compared to an increase of 23% increase in the Consumer Price Index. Since 2004 Reserves and Debt increased by $15.1 million and $13.7
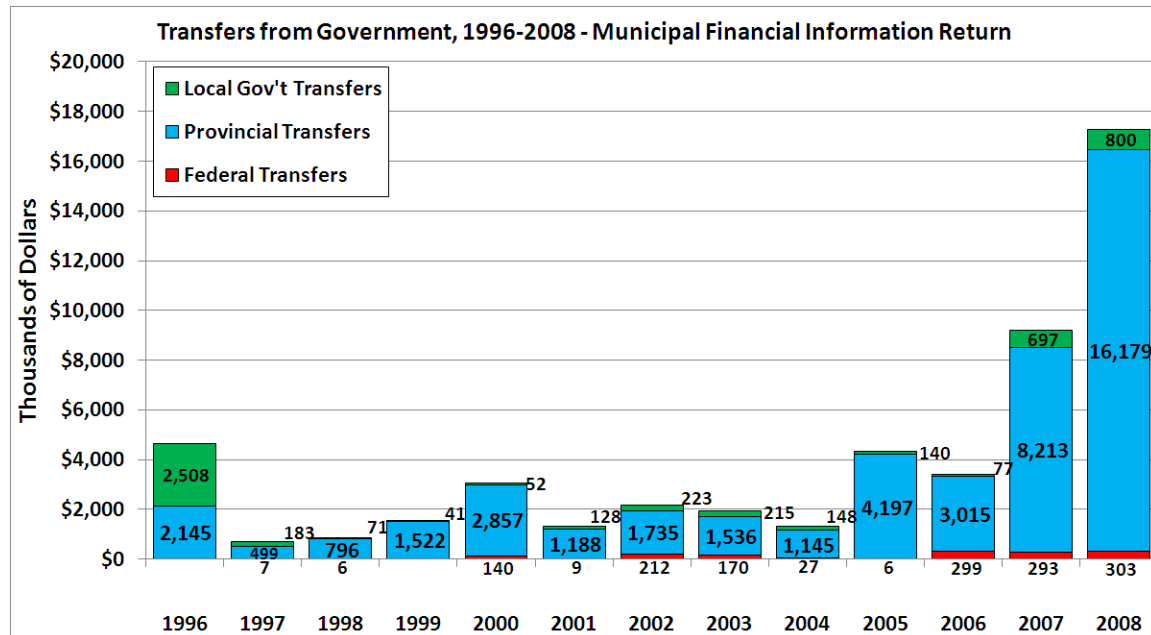
million, respectively.

From 1997 to 2008 transfers from other governments have totalled; $1.5 million from the Federal Government, $42.9 million from the Provincial Government, and $2.8 million from Local Governments.

Transfers to Gov't & Others, 1996-2008 - Municipal Financial Information Return
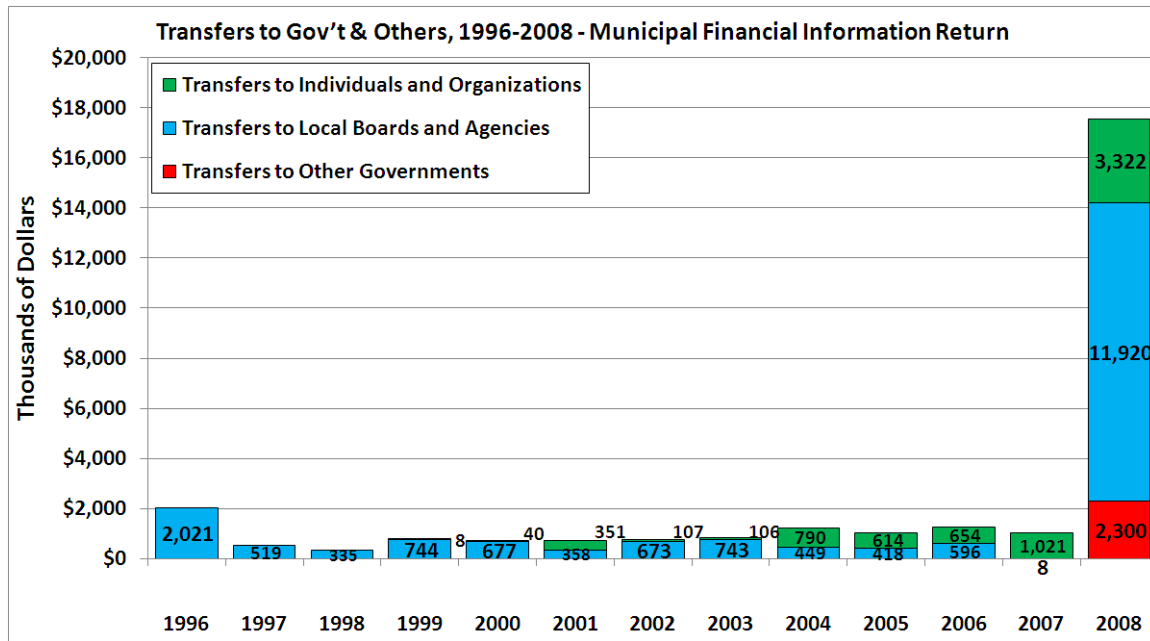
From 1997 to 2007 (excluding 2008) transfers to other governments, individuals and organizations have totalled $5.5 million to Local Boards and Agencies, and $3.7 million to Individuals & Organizations.

17.12 'Total Full-Time Municipal Positions:

In 2008 there were a total of 220 Full-Time Municipal Positions in the three

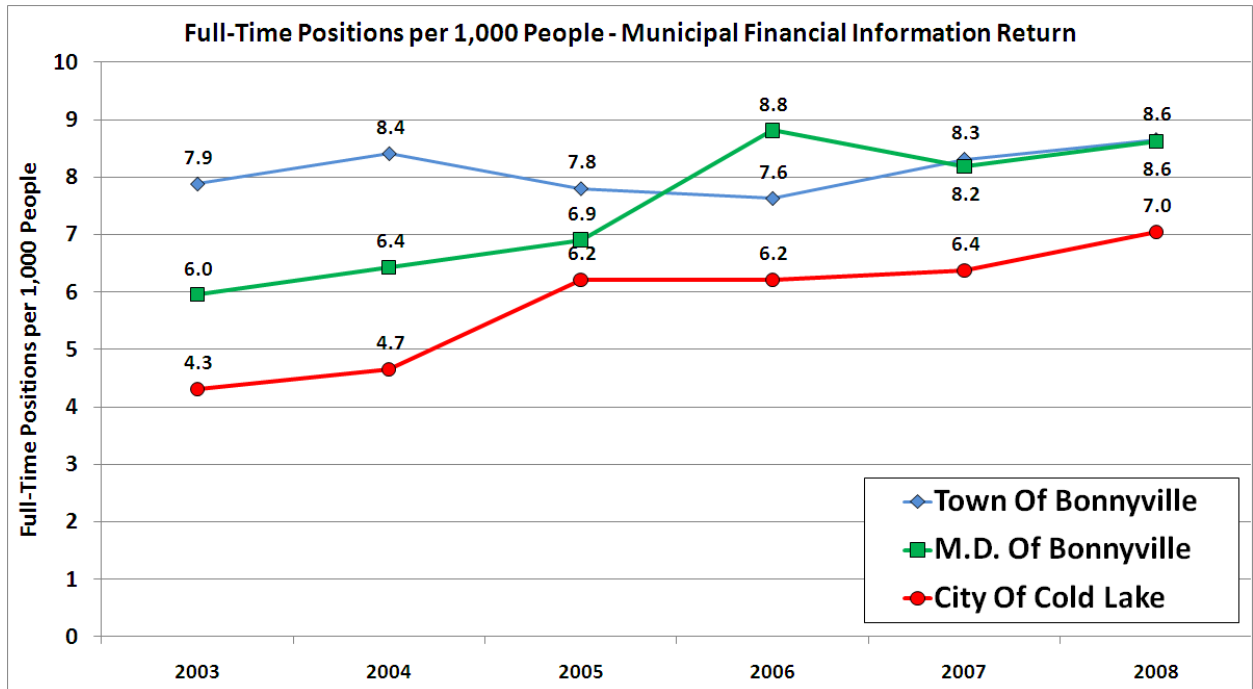Total Full-Time Municipal Positions - Municipal Financial Information Return
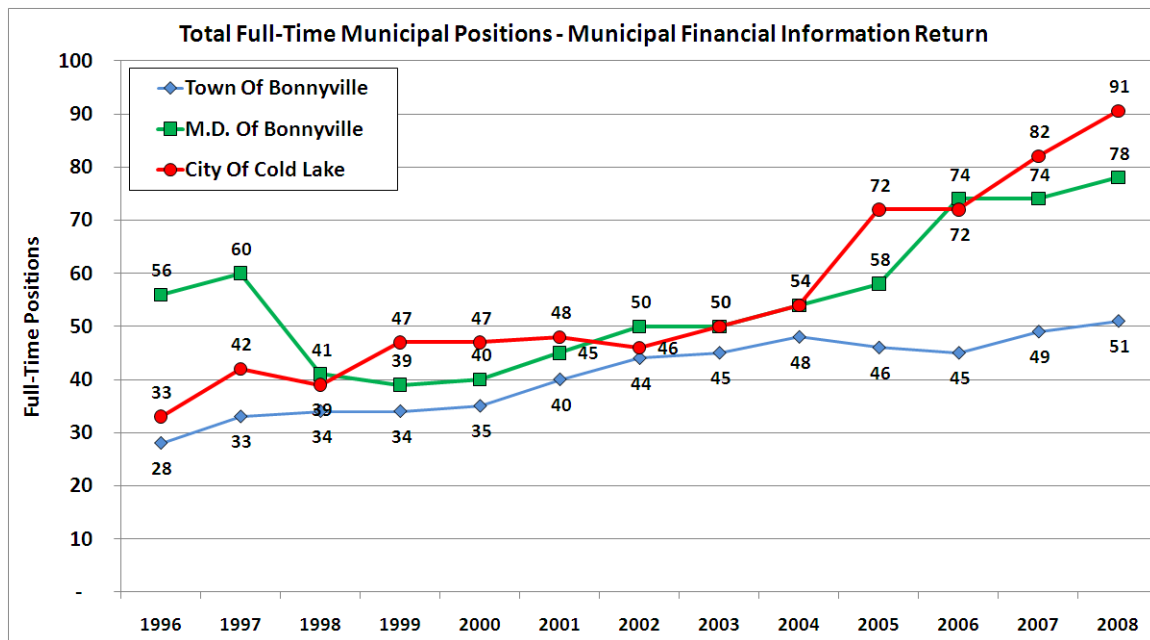
municipalities of Cold Lake, the MD of Bonnyville and the Town of Bonnyville. The number of positions has increased by 75, or 51%, since 2003. Cold Lake had

91 full-time positions in 2008, compared to 78 in the M.D. of Bonnyville and 51 positions in the Town of Bonnyville.

Cold Lake has the fewest number of full-time positions on a per capita basis. In 2008 Cold Lake had 7.0 positions per 1,000 people, whereas the M.D. of Bonnyville and the Town of Bonnyville had 8.6 positions per 1,000 people.

Section Four: Conclusions & Recommendations

18.0 Conclusions

18.1 Background

This has been a particularly complex review. While we have felt somewhat constrained by the limitations of any review which has certain boundaries or parameters, we also believe and recognize that there are ways by which the current circumstances facing the City of Cold Lake could be addressed without the necessity of legislative change. Quite frankly, it is our view that changing the legislation without changing the tenor of the dialogue will do little towards improving the overall ability and capacity for citizens of the region to function effectively into the foreseeable future.

This theme is aptly illustrated by the following quotes from a relatively recent major review which dealt with the need to work together as a region:

> "Strengthening the region is not a choice - it's a necessity. And the time to start is now."

> "...new regional approaches must respect the identities and aspirations of individual communities. They must reflect our unique history, settlement patterns, western pioneering instincts, the creativity of our citizens, and the traditional willingness of Albertans to implement new ideas and new approaches.

Further, we cannot believe that building a coalition of like-minded people with generous, broadly-minded hearts is so elusive in a region which has limited population, rich diversity, sites of historical significance and a wealth of below ground natural resources. As the following quotations state, cooperating is preferable to Government imposed resolutions, unfortunately the notion is made to seem so distant and implausible.

> "...regional approaches must build on three important ideas:

> ➢ **Partnerships are the best option** – The old style, "command and control" approaches simply won't work in today's world.

➢ **Citizens want and expect choices** – There is no "one-size fits all" solution. Whatever new approaches are put in place, they must reflect the diversity of choices available in the region.

➢ **Regional transparency is essential** – People want, and expect, to know what is going on in their region. Easily accessible and understandable information should be available for all citizens in the region."

"Looking ahead, more and more issues that communities face will be regional in nature, extending beyond the boundaries of any single municipality."

"**Future success and sustainability depend on high level of cooperation across the region.** In a highly competitive marketplace, individual municipalities in the region can't compete if they try to go it alone. Businesses looking for places to invest and expand prefer to talk to regions rather than to each of the municipalities within a region. And many of the smaller municipalities in the region simply are not big enough to be competitive and effective. Together, the region can offer a comprehensive and attractive package of advantages that make investment in the Capital region a wise business choice for potential investors."

(Source: An Agenda for Action: Alberta Capital Region Governance Review: Final Report, December 2000)

18.2 The Assignment

This has been a very comprehensive review and assessment of what we perceive as the key issues facing the City of Cold Lake relative to our assignment: review those aspects which pertain to the Inspection of the City of Cold Lake (is it operating within normal boundaries of accepted municipal practice) and to the question of sustainability (is there a sound argument to support its dissolution as a City).

We concluded that there is no evidence that would suggest that the Council or administration have acted improperly. Therefore we do not recommend replacement or dismissal of either. We are, however, concerned that successive Councils have managed revenue in a way that has made a significant contribution to the fiscal challenges facing the City. This Council has continued this practice in choosing to not accept over $1.0 million of funds from the M.D. in pursuit of its agenda of changing the rules with regard to revenue sharing. This ardent commitment to a singular solution has also contributed to the degeneration in relations with neighbouring communities. We have seen evidence of rhetoric and actions on the part of both the City and these other municipalities which the objective observer would consider disrespectful and unprofessional. At the same time, the City and these neighbours have signed agreements which included high-minded language of co-operation and mutual trust. We found a disconnect between the wording of agreements and actions to be hypocritical. The community leaders need to live up to the words they put their names to.

Based on our independent review of the information we have received in the course of this engagement and on those factors which we believe to be most germane to our assignment, we find that:

1. The Council of the City of Cold Lake is guided by an appropriate intent and motivation to do what it feels to be in the best long term interests of the City.

2. Much of the rhetoric from both the City and the M.D. is around how a transfer of funds from the M.D. to the city is determined. In our view the fundamental issue is in fact the amount transferred. We note that there is also disagreement on this issue. The M.D. has offered about $1 million and the City wants up to $3 million. In an article in the Cold Lake Sun the Mayor stated "We're saying as a council we're managing the city fine. We just need a few more millions of dollars and we can do much better." The questions are how much and its source. Apart from fund transfers from the M.D. we concluded that the evidence shows that there are internal sources available as well. It is evidence that opportunities have been missed in the past. A number of these are set out

in section 17.4 of this report. The Council needs to demonstrate that managing the "City fine" is not simply predicated on getting whatever sum it desires from the M.D.

3. There is no evidence of rampant or ongoing unethical practice relative to the current Council of the City nor of its administration (we limit our comments to the current Council and administration as that has been our focus). The ethical issues which we have cited are either being resolved or have been resolved and do not constitute any expectation of ongoing investigations. We note, however, that a refresher by experienced legal counsel should be provided to Council. The administration should also draft a series of protocols which guide all staff members in any connections to members of Council and to former staff members.

4. The City seems to have decided that it is entitled to a share of its neighbour's goods. This is based neither on current legislation nor on any definition of good neighbourliness. While we understand that it is difficult to not be envious of a neighbour whose sole "right" to certain revenues is based on jurisdiction we also believe that this mindset has contributed very little to any longer term solution. While this Council could argue that its "vinegar" approach has been successful compared to the "honey" strategy of its predecessors, the fact remains that the former Council negotiated an agreement that saw a significant increase in the contribution of the M.D. to the costs of regional services delivered by the City of Cold Lake.

5. The viability of the City of Cold Lake is critical to the good of the region as a whole. While the M.D. does not want to be viewed as simply a "banker" for the projects of the City nether can it afford to stand by and not actively participate in making a contribution to the decision-making process on issues which will inevitably impact the well-being of the M.D. as well as the City. The M.D. cannot be content to have "peace" with its neighbours in Glendon and Bonnyville and be saddled with a full load of grief and lost expectations with the City. Not solving the issues should not be considered a solution. These will surely be back on the front page at a later date (and likely sooner than later).

6. We conclude that the M.D. Council is serious in its offer to share in the costs of facilities where it could be demonstrated that its residents were also utilizing those services/facilities. Such an offer is not an open chequebook but at least represents an open hand.

7. The review which we have undertaken suggests to us that the approach taken by the City relative to its relationship to the M. D. of Bonnyville has been ill-advised and has quite simply not worked. We note that this is a two-way street: neither the M.D. nor the Town of Bonnyville emerge unscathed in terms of being obligated to bear their fair share of the blame for a lack of regional cooperation. The result of the latest mediation process was not three successful municipalities and one failure but, rather, a failure by all to find a workable solution. It would appear that the three knew that the City would not "buy in" to the proposed agreement but were content with that arrangement. That is regrettable.

8. The level and tone of discussions and communication between these principal partners in the region has not been conducive to fully understanding the needs of each other nor to striving for a reasonable balance. The "good of the whole" has escaped the elected leaders of each of the municipalities and each must bear a portion of the responsibility for making this work as the future unfolds.

9. Based on our understanding of the City's fiscal obligations over the foreseeable future, together with the City's expected growth in assessment dollars to finance such obligations and a projected infusion of Provincial and federal project dollars based on current patterns, the City will continue to experience significant challenges. We have stated that opportunities exist if the City can learn to work with the M.D. This requires a change in approach by both the City and the M.D. We would strongly urge the City not to take any steps which it knows will only weaken its fiscal capacity and/or strength. Such a strategy is counter to the principles of good governance.

10. It is important that after the City initiates steps to address its fiscal sustainability that it monitor progress against the plan to assess success.

Monitoring progress includes measuring actual progress against planned progress through performance measures and periodic detailed assessments.

11. There is no question that the M.D. has access to resources which are not made available in a similar magnitude to the others. In the absence of any authority or mandate to change Provincial legislation/regulation we are left with an appeal to common sense and generosity of spirit. The reality is that the M.D. is home to a region of people who choose to live and in many instances work within its borders. Such people also recreate in the area by participating in the events and facilities created by man as well as those provided by God. The assessment dollars which so richly bless the M.D. (and which it has shared more than required with its neighbours) should be extended with an open hand to help fund the two principal service centres (and to the Village of Glendon), which anchor the region. This sharing of wealth should be based on a common "service envelope" mentality which would see the leaders of the four municipalities (M.D., Town, City and Village) meeting with advisors to determine what services could rightfully be a part of a service envelope and what funding on an annual basis could be justified. Our initial assessment of this question leads us to believe that a "fair" cost-sharing agreement should be based on this broadened envelope rather than a series of "one offs" which has largely been utilized to date. This would presumably represent an increase from where the proposed funding agreement stands today and as supplemented by the combined net effect of current agreements. A more broadly-based and preferably negotiated settlement is not intended as the only solution to the fiscal realities faced by Cold Lake. We believe that the City will also need to face its fiscal challenges in other ways, similar to all other municipalities (e.g. increases to taxes, prioritization of capital projects, debt financing, increases to offsite levies, etc).

12. The potential for greater involvement by the M.D. in a recent recreational project is a missed opportunity. This opportunity was missed due to a difference between the role that the City wished the M.D. to play and the expectations which the M.D. has with regard to ensuring some consistency between its involvement at the outset of planning a project and its level of financial

commitment. AshouldHowever, all such arrangements work because they are anchored in a relationship based on transparency and trust.

13. The City would benefit from developing a long term (5-10 year) master plan for the City's current and future recreational and infrastructure requirements that is developed with the participation by the M.D. on a proactive partnership basis. Key projects would then be planned and targeted based on both population growth and fiscal realities and both parties would understand future financial commitments.

19.0 Recommendations

1. **Report Receipt**
   a. We recommend that this Report be provided firstly to the City of Cold Lake for its response and then to the M.D. of Bonnyville prior to any public distribution.

2. **Report Response**
   a. We recommend that the City be asked for a formal response to the recommendations within 7 days of having received the Report.

3. **Report Availability**
   a. We recommend that the Report be made publicly available within 48 hours of its distribution to the City and M.D. of Bonnyville. We recommend that the City (and the M.D.) be asked to post the Report on its website.

4. **Background Information**
   a. We recommend that the City accept the background materials contained in this Report (see Section 2) and ensure that this information be made available to subsequent Councils through their orientation materials. This material should also be utilized by the senior management in any subsequent orientation processes for new hires.

5. **All Policy Statements Endorsed**
   a. We recommend that the policy positions and any presentations articulated by the Mayor be endorsed by a resolution of Council prior to these being presented publicly by the Mayor. We further recommend that the CAO be

asked prior to Council's endorsement for the position of the administration on any such key policy statements.

6. **Leadership Principles**

   a. We recommend that the principles applying to Council's leadership role (see section 12.2) be reviewed and endorsed "in principle".

7. **Legal Advice**

   a. We recommend that the City engage an experienced municipal lawyer to provide it with a refresher on conflict of interest, pecuniary interest, maintenance of confidentiality and other related matters.

8. **Direction to Administration**

   a. We recommend that direction to the administration be directed through the CAO.

   b. We recommend that Councillors and the Mayor limit their direct contacts with the administration to the CAO and his department heads. This is not to suggest that all members of Council should not have ongoing casual contact with the staff who they encounter in the office. A protocol should be established and advertised to all staff that the Mayor and Council are to be directed to the applicable department head or the CAO for any requested information.

9. **Code of Ethical Conduct**

   a. We recommend that a new "code of ethical conduct" be developed for all members of Council, members of the administration and prospective members of Council outlining what is and is not permissible conduct vis-a-vis bias, pecuniary interest, conflict of interest, personal and business relationships with staff, involvement in land holdings in this or a neighbouring jurisdiction, involvement in the affairs of a neighbouring jurisdiction, etc.

10. **Good Management**

    a. We recommend that the CAO review with his management team all of the earmarks of good management (as described herein) and determine what improvements could be made to current Cold Lake practice.

11. **Employee Performance Management System and Training**

   a. We recommend that the CAO oversee a review of the current performance review system and ensure that it is adequate to the needs of the organization.

   b. We recommend that the CAO give priority to developing a comprehensive training policy and plan with regard to training and development.

12. **Strategic Direction**

   a. We recommend that the City ensure the development and/or updating of a 3-5 year strategic plan and an administrative business plan which is aligned with and supports the strategic plan.

   b. We recommend that the City complete its draft business plan and then develop a planning process that includes annual updates to the plan which are tied to the budget. The business plan should include strong linkage to budget, goals, strategies, and performance measures.

13. **Meetings with Auditor**

   a. We recommend that the Council meet twice annually with its external auditor to discuss audit expectations and then audit results from a governance perspective.

14. **Procedural Bylaw**

   a. We recommend that the City review the suggested changes to its Procedural Bylaw (see Sec. 13.3) and make those changes it perceives as useful.

15. **Review of Assets and Capital Requirements**

   a. We recommend that Cold Lake conduct a full review (preferably with the assistance of independent and experienced expert advisors) of the need for all existing assets as well as those assets that are being contemplated or planned; and a further review of all services, service levels, user fees and services charges. Then the City should develop a fiscally viable plan to address those needs determined to be critical.

b. We recommend that Council engage in discussions leading to the signing of the Regional Partnership Agreement with the M.D. in order to reinstate the $1 million.

16. **Regional Relationships**

a. We recommend that the City develop and commit to a strategy to improve relationships with municipalities in its area; and that such a strategy be filed with Alberta Municipal Affairs within 60 days.

b. We recommend that the City's chief administrative officer begin a structured and scheduled approach to meetings with his counterparts in the region in order to develop cohesive advice to the four regional Councils on matters pertaining to regional cooperation.

c. We recommend that any new capital projects which the City believes warrants an additional share from the M.D. should first be discussed with the M.D. The City must formally request the M.D.'s participation in such projects (for example, a new arena) and should offer the M.D. a governance role consistent with its investment. Long term financing and operational obligations should be discussed with the M.D. in advance and should not be simply "advised" after such decisions have already been made

d. We recommend that the Council work with the M.D. to develop an inclusive, open and consultative approach to regional recreational planning. This approach should include the early and substantive involvement of any municipality which is to contribute to a project. Also, all municipalities that make a contribution should have a commensurate governance role.

e. We recommend that the approved Intermunicipal Development Plan be considered as a base for improved regional dialogue and compromise.

17. **Apolitical Administration**

a. We recommend Council reinforce its commitment to ensuring an apolitical professional administration by demanding unbiased advice that is based on evidence and not any one policy agenda.

18.   **Appointments to ABCs (agencies, boards and committees)**

   a. We recommend that Council review its appointment practices for both committees and boards. Council should codify a protocol that includes providing for all Councillors to be afforded the opportunity to sit on committees and to allow for rotation of Councillors on Boards. In addition, the Council should review the appointment of the CEO to the Regional Partnership Opportunity Committee.

19.   **Policy Direction**

   a. We recommend that Council establish a policy focus to its decision making process.

   b. We recommend that the administration establish a formal initiative to assess requirements around policy; establish those policies that are required and create an ongoing process for periodic review. In addition, we recommend that staff receive training on policies and, in particular, code of conduct policies.

20.   **IT Management**

   a. We recommend that the administration improve IT planning, resolve the resource risk and capacity issue, and develop stronger frameworks for IT decision-making and execution of projects. Management should also review the detailed observations in section 14.5.2.2 for possible implementation.

   b. We recommend that the administration establish corporate IT governance and planning framework. This should provide for clear accountability and draw City line departments into the decision-making and project planning processes. Through this framework the gap of understanding the number of projects requested and the capacity of the IT group to deliver should be addressed by jointly deciding priorities and developing a resource plan.

   c. We recommend that the administration establish a basic "IT business continuity and disaster recovery plan". This can be simple, but must address the risk associated with only a single member of staff possessing the detailed knowledge of the operation of the IT infrastructure. It is

suggested that consideration is given to a more formal arrangement with other regional IT providers (MD of Bonnyville, the hospital, schools, etc.) to provide cross coverage for each organization.

21. **Dissolution**

   a. We recommend that the Province deny the request by the City of Cold Lake to dissolve and become a part of the Municipal District of Bonnyville.

   b. We recommend that the Province provide the City of Cold Lake 90 days to file with it a plan to formalize a negotiated comprehensive cost-sharing settlement with the M.D. of Bonnyville.

   c. We recommend that the City undertake a detailed corporate review in the summer/fall of 2011 to determine whether meaningful progress in addressing sustainability is being made. This review needs to examine its own operations and not focus on external factors.

   d. We recommend that the Province monitor the City and assess whether it is taking deliberate steps to worsen their fiscal situation so as to provoke a response by the Province. If this is the case (and we would not expect the Council to endorse such a strategy) then the Province should determine if it should take steps available to it under the *Act* such as a re-visit of this Inspection process.

Respectfully submitted,

George B. Cuff, FCMC
President