

Village of Donalda

Municipal Inspection Report

May 2011

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Municipal Affairs

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Table of Contents

Executive Summary	1
Municipality Description	Error! Bookmark not defined.
Purpose of the Inspection.....	2
Governance	3
Council Remuneration 2009-2010.....	6
claimed, start and finish times.	6
The Mayor and Council	6
Bylaws.....	9
Utilities.....	9
Policies	11
Finances	13
Council/CAO Relationship	17
Minutes	18
Newsletter	19
Boards and Committees	19
Agenda	19
Additional interviews.....	20
Cross-Training	21
Conclusions:.....	22

Village of Donalda
Municipal Inspection Report
March – May 2011

Executive Summary

The Minister of Municipal Affairs decided to undertake a municipal inspection in accordance with section 571 of the *Municipal Government Act (MGA)* in 2010; however, since 2010 was an election year for municipalities in Alberta, the inspection was postponed until after the election was held (in October).

The decision to undertake the inspection was preceded by a municipal inspection conducted in 2003, and a 2009 petition from the electors of the Village of Donalda that requested the Minister undertake an inquiry in accordance with section 572 of the *MGA*. The Minister of the day decided to undertake a dissolution study instead, which occurred in 2010. The result of the dissolution study was that the Minister decided not to recommend dissolution of the village. The Minister ordered that an inspection should be undertaken instead and appointed three inspectors.

The inspectors have found that the village has engaged in practices over the last decade that have been contrary to what a prudent council and administration would have done, such as: failing to issue utility bills on a regular basis; failing to collect some other municipal revenues; and failing to ensure that the decision making process has been transparent, leading to much discontent in the community. It appears that much of this occurred as a result of a lack of administrative capacity and a failure of village council to hold administration accountable for the operation of the municipality.

Since the general municipal election in October 2010, the village has elected an entirely new council, and has acquired the services of a new chief administrative officer. Throughout the inspection process, it has become evident that this new group is committed to progressing the village's operations to be in compliance with the legislative requirements, and perhaps more importantly, ensure the operation of the municipality is conducted in a transparent and accountable manner. The new council and administration

have some challenges, in that they are all new with little previous municipal experience, but they have made significant strides in resolving issues within the last seven months.

There are certain aspects of the operation of the municipality that require action, and this report lays out recommendations and directives for the village. The inspectors feel it is important to acknowledge, however, that they believe the current council and administration are eager and willing to take steps to improve the municipality for the betterment of the community.

The inspectors engaged in an interview with the representative of the 2009 petition and did not anticipate conducting further interviews; however upon request of two other residents, the inspectors granted short interviews for those two individuals to express their concerns.

Purpose of the Inspection

The inspectors are required to report on the findings of this review and on matters that fall within the guidelines of the *Municipal Government Act*. If because of an inspection, the minister considers that the village has been managed in an “irregular, improvident, or improper”, the Minister by order, may direct the village to take any actions he considers necessary.

The terms irregular, improvident, or improper are defined according to Funk and Wagnalls standard dictionary as:

Improvident: 1. Lacking foresight; incautious; rash.

2. Taking no thought of future needs; thriftless.

Improper: 1. Deviating from fact, truth, or established usage.

2. Not conforming to accepted standards of conduct or good taste.

3. Unsuitable.

Irregular: 3. Not according to established rules or procedure.

4. Not conforming to accepted standards of conduct.

Governance

The *MGA* states the purpose of a municipality is to provide good government, services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, and develop and maintain safe and viable communities. To do this, council's principal role is to develop and evaluate policies and programs, make sure that the powers, duties and functions are appropriately carried out, and carry out the powers, duties and functions given to it under the *MGA* or any other act. Essentially, council establishes policy and programs and they monitor these decisions by receiving complete and accurate reporting from administration on how the decisions are carried out.

The former CAO was providing very little in written advice to council and most information was provided verbally during council meetings. Council had to rely on their interpretation of what they thought was being said. This process provided no means for a councillor to get the facts and data prior to the meeting. Through the interviews conducted, the inspectors learned that it was sometimes difficult to determine what council was discussing at its meetings.

There is little evidence to show that the previous councils had any formal training on their roles and responsibilities. Individual councillors have some general legislated duties as stated in section 153 of the *MGA*:

- 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 and 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 CAO or a person designated by the CAO;

- 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 act or by the council.

The sufficient petition submitted to the Minister of Municipal Affairs by the electors of the Village of Donalda in 2009 indicated that residents of the village were not confident that council or the CAO was fulfilling their respective duties. The minister of the day determined that it would be more appropriate to conduct a dissolution study. After going through the dissolution process, the electors of the village voted 75% in favour of remaining a village and reiterated their request for an inquiry into the affairs of the village, the conduct of village council and the conduct of the chief administrative officer. On May 11, 2010, the Minister ordered an inspection of the Village of Donalda to take place after the 2010 municipal elections so as not to interfere with the election process.

Three new councillors were elected at the October 2010 general election. Interviews were held individually with each new councillor in which some common themes emerged. Each councillor indicated that their reason for running in the election was to ensure that the decision making process was more transparent. All councillors believed that the previous CAO unduly directed the previous council by not clearly informing council of issues which led to a perception that misinformation was being provided. There is a belief among the councillors that the previous CAO may have intimidated the previous council to regularly accept his recommendations with little or no debate.

The current council is very concerned that financial audits were past due by 2 years, grants available from Municipal Affairs had not been applied for, and utility payments to the village were in arrears. Council is also very concerned that the water/ sewer project incurred serious budget overruns due to poor decision making. The current councillors also believe that the previous council did not function in an open and transparent manner citing examples of moving into '*in camera*' excessively and council remuneration being excessive. The new councillors believe that significant work is required in policy development as very little was done in the past. These policies will enable council to

address a number of issues that require attention and are discussed later under “policies”. The newly elected councillors also indicated displeasure with the village undergoing a dissolution study in 2010 rather than the municipal inspection that was desired. Reference to the inspection report of 2003 conducted by Mr. Pitman was made noting that many recommendations in that report had not been addressed.

Alberta’s municipal councillors have a strong record of public service to their communities. As elected officials, they are responsible for upholding the public interest ahead of any private interests they may have. Section 172 of the Municipal Government Act says that a councillor may not take part in the decision making process on any matter that the councillor has a pecuniary interest. A pecuniary interest is an interest in a matter which could monetarily affect a councillor directly or indirectly as a shareholder of a corporation or a firm.

The regular council meeting minutes of October 14, 2010 provide evidence of a councillor who may have participated in a vote of which she had a pecuniary interest. Motion 2010.10.11 made by Councillor McKay to authorize village administration to write off accounts 180 and 181 was carried and show no evidence that the mayor declared a pecuniary interest and excused herself from participating in the decision. The utility accounts holders are listed as the former mayor and spouse, who are also the land owners.

Shortly after the new council was elected, the CAO received requests for information regarding many outstanding issues. At the organizational meeting of council, following the swearing in of council, the CAO tendered his resignation to be effective in December 2010. All three council members view the new council in a positive manner, believe that the council is effective and are optimistic about the future. A new CAO and a new public works foreman have been hired to address administrative issues while an accounts clerk remains from the previous administration.

<p>RECOMMENDATION: That all members of council and administration attend a Roles and Responsibilities workshop.</p>
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Council Remuneration 2009-2010

Interviews with council members indicated that there was a perception that the previous council was participating in a number of regional committees that will require council to reevaluate the effectiveness of council's membership. The previous perception inferred that excessive per diems and mileage claims may have been charged to the village by previous councillors.

The inspectors engaged in attempting to cross reference councillor remuneration with minutes of board and committee meetings and the list of approved committees from the 2009 organizational meeting for the 2009/ 2010 year. It did not appear that there was any deliberate attempt to misrepresent claims for remuneration; however it was very difficult to determine whether all claims to attend meetings were valid as the forms councillors used to record details of meetings were not filled out consistently and did not provide for sufficient details e.g. proper name of function, location, starting time, meeting duration, etc. The minutes of all meetings of established board and committee meetings should be filed for the period that the council member represents the village on the board or committee. These minutes further substantiate claims for remuneration.

RECOMMENDATION: Develop and approve a board and committee report to clearly describe meeting details such as meetings attended, location of meetings, mileage claimed, start and finish times.

The Mayor and Council

The inspectors had the opportunity to observe a regular council meeting on March 2, 2011. The meetings of council are held at the Donalda/ Red Willow Fire Hall jointly operated by the County of Stettler and the Village of Donalda. The meeting space accommodates council and has adequate space for residents in the gallery. The acoustics are such that all are able to hear the proceedings. Council may want to examine the practicality of holding council meetings off-site from the village office. Village documents and other information stored in the village office are often required to assist council in its decision making process. Council should keep in mind that a process to

acquire necessary information should be in place and that a private area is available for in-camera sessions.

Mayor Bruce Gartside presided over the meeting with councillors Whiteside and Ebel in attendance. Generally the meeting went well, however the inspectors noted some issues to address. Councillors were in agreement that the current agenda packages provided are much more comprehensive than the agenda packages supplied by the previous CAO. The CAO of the village also provided agenda packages to the inspectors for the council meeting that evening. The packages were generally well put together, however the order of the meeting agenda didn't allow for council to approve the agenda until well into the meeting. The inspectors made some suggestions to improve the agenda which will lead to a more orderly meeting.

The new councillors are eager to demonstrate to the electors of the village that they are committed to making decisions in an open and transparent manner with input from the public welcome as they believe the previous council has not demonstrated a willingness to engage the public in their decision making process. Evidence of this was seen at the council meeting of March 2, 2011.

The council meeting included 4 delegations to council. Delegations are a method for the public to formally engage council at council meetings. A procedural bylaw is established so that all delegations to council receive equal opportunity to make their presentation to council; in turn council should only engage in asking questions of clarification to assist them in addressing the issue should a decision need to be made. If a decision is required the issue should appear in the business section of an agenda of a council meeting. The delegation should address the presentation to council through the mayor and any questions from council to administration should be directed to the CAO. Care should be taken that administration provides related information about the matter to council and does not engage in a debate with the presenter of the delegation.

The first delegation to council was from a potential contractor, who in addition to engaging in a presentation about the services that he provides, presented a contract for bylaw enforcement services to council. Council should be aware that any discussions about a pending or potential contract with a 3rd party should be made during an in-camera

session of council as per the provisions of the Freedom of Information, Protection of Privacy Act.

The remaining delegations were from citizens of the village who made presentations about potential recreation facilities in the village and the use of the highway sign outside of the village. During each delegation, council engaged in some discussion with the gallery and suggested solutions before moving to the next delegation. One of the delegations on the agenda provided a written submission, however was not in attendance to personally address council. In such a case, council should not engage in a debate of the issue as the issue belongs to the person(s) requesting the delegation. In each instance, no motion to accept the delegation for information occurred; each delegation should be accepted for information by motion at council meetings.

Council addressed an issue under Old Business, titled 'Prairie Ghost'. As this issue is one of contractual negotiation and potential legal issue, it should have been conducted during an in-camera session. In general, personnel, land and legal issues should be conducted during in-camera sessions according to the provisions of the *Freedom of Information and Protection of Privacy Act*.

Methods of voting were not consistent. The mover of a motion did not consistently appear to vote and hands were not clearly raised to indicate that the councillor was voting in favour or against a motion. When the mayor calls the question, he should in a clear voice, call for those 'all in favour' ... 'all opposed' and declare in a voice that can clearly be heard, 'motion carried' or 'motion defeated'. The chief elected official (mayor) should become more familiar with proper procedure to ensure meetings are run efficiently.

After the meeting was adjourned, councillors engaged in discussing issues with members of the gallery. Should council wish to incorporate an opportunity for public comment, meetings should be structured so that the public forum occurs within the meeting for the purposes of recording the issues in the meeting minutes.

Bylaws

A procedural bylaw provides rules for council meetings and a familiar format for how meetings are conducted. It can also establish criteria and timelines for agenda package preparation, delegation requests, special meeting notifications, etc. The village does have a procedural bylaw; however, the bylaw is not consistently applied. For example, the bylaw requires that any person wishing to have an item of business placed on a meeting agenda shall inform the CAO no later than the Friday preceding a regular meeting of council. As discussed previously the new CAO has made improvements to the agenda package which includes complete written background information, options and recommended actions (request for decision reports), a list of pending actions and written committee reports by councillors.

The format of the agenda packages should be further formalized in the procedural bylaw to ensure council receives consistent information regarding village business, and the public can easily discern the business to be discussed at a meeting.

Every municipality should have a records retention bylaw to ensure the municipality conforms to legislative requirements and ensure the village's administration of records access is manageable. No such bylaw currently exists for the Village of Donalda.

<p>RECOMMENDATION: That council amends and follows its procedural bylaw and adopts a records retention bylaw.</p>
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Utilities

Municipalities that provide utility services such as water, sewer, and garbage collection must establish their utility rates, penalties and billing schedule within a bylaw. This bylaw should be reviewed annually to ensure the rates raise the required revenue to provide the services, that the penalties are effective deterrents to account delinquency, and that the billing schedule is effective.

The collection of utility account arrears has been a serious ongoing issue for the Village of Donalda for many years. Based on an interview by the inspectors, it appears that, from 2003 – 2010, the previous CAO failed to regularly issue utility invoices. As a

result, this has negatively impacted the village's financial position and cash flow. Village utility rate bylaws prior to 2005 did not require the village to issue invoices, but utility account-holders were required to pay monthly for the services. The village's plan was to add any outstanding utility charges to the tax roll every year, and have property owners pay the outstanding amounts this way. This intended practice remained in place until 2010; however it is unclear if the village added the outstanding amounts to the tax roll consistently from year to year because in 2011, there is still a significant amount of utility receivables remaining. This practice is not fair to account holders because they were not informed of their requirement to pay the utility charges, what their outstanding balance was, if any, and what penalties were applicable for unpaid charges. For property owners who may have rented their properties to tenants, their ability to collect for outstanding utility charges and penalties may no longer exist because the outstanding charges may have been discovered after the fact. In addition, there is currently an incentive to pre-pay and receive a 10% discount on utilities. We recommend that this practice be reviewed as there appears to be little cash flow advantage to the village.

In 2005, the utility rate bylaw was substantially changed to require that invoices be issued bi-monthly, that penalties are to be applied to utility account arrears, and utilities be shut off if utility accounts remained unpaid for a period of time, yet it does not appear that the village changed their utility fee collection practices to reflect the new bylaw.

In March of 2010, the village council amended its utility rate bylaw by adjusting the rates for water, sewer, and garbage. The invoicing, penalty, and shut off provisions of the 2005 utility rate bylaw remain in effect. After the general municipal election in October of this year, the new council directed administration to undertake action to inform every utility account holder of their current balance and take strides to have all outstanding utilities receivables paid to the municipality. This initiative has been mostly successful and the outstanding utilities charges have been significantly reduced since October 2010.

On October 14, 2010, the village held its last regular council meeting before the 2010 general municipal election. At this meeting, council passed a motion to write off

two village utility accounts. One of the utility accounts belongs to a property owner who had requested utility services cease several months before the village processed the request, so the village council cancelled the charges for this period of time. The second utility account that was written off belongs to the village's former mayor, Ms. Terry Nordahl.

The writing off of any amount owed to a municipality is a decision council should not make lightly, and council must ensure any decision to do so is equitable to all. Council must treat all utility users in the same way. The rationale for cancelling the utility charges for Ms. Nordahl's property appears to be because two dwellings are on one property. If two utility hook ups exist, it is appropriate for two accounts to be charged the village's utility rates.

RECOMMENDATION: The village should ensure that the following actions are enacted: the collection provisions of the utility rate bylaw are carried out; a collections procedure policy is adopted to ensure collections tasks are defined and executed; all utility accounts are charged according to the utility rate bylaw; and all utility accounts are up to date and paid on a regular basis.

Policies

The Village of Donalda has, over the years, established few policies to provide guidance, continuity and consistency of decision-making. These policies are meant to assist the council and staff with the certainty of the direction on an issue and provide the tool for administration to implement the policy that council has set. The village should have a more comprehensive set of policies to ensure consistent action in all facets of the municipal operation. We recommend that the village establish policies for the following:

- **Internal Financial Controls** – The village should consider improving its internal controls to ensure effective segregation of duties as recommended through the generally accepted accounting principles. An example of this is to ensure one person completes book entries and deposits, while the other reviews the book entries for completeness. The village should consult with their auditor in adopting such a policy.

- **Bank Reconciliations** – Bank reconciliations should be completed at the end of each month.
- **Petty Cash** – Payment with petty cash should only be done in circumstances where purchases are small, or no other form of payment is available. Where possible, the village should provide payment by cheque.
- **Purchasing** – The village should have a formal policy on how it will go about purchasing services, equipment and supplies. A recent disagreement with a project contractor demonstrates the need for a guideline to follow in awarding tenders, request for proposals and other quotes. Municipalities are subject to the New West Partnership Trade Agreement.
- **Website and Email Account Access and Maintenance** – With the previous CAO’s departure, the village lost its secure access to the website and the associated email accounts. The village should adopt a policy that will guide the access, maintenance and security of the municipal website, and email accounts.
- **Tax Collections** – The village has had a history of low tax collection rates. The village should adopt a policy for tax collections that will ensure the tax collection rate is brought to a reasonable rate in the future.
- **Utilities Charges Collections** – The village should adopt a policy that establishes the manner in which the uncollected utilities will be added to the tax roll and how utility deposits will be administered.
- **Human Resources Policy** – The village should put job descriptions and salary pay ranges into effect for staff into a policy. Job descriptions and salary ranges should be reviewed on a regular basis.
- **Comprehensive Public Works Policies** – The village has only one public works policy (snow removal). The village should adopt a full complement of public works policies that would address inspections of the following: roadways and sidewalks, grass cutting, fire hydrants, playgrounds, municipal facilities, and equipment inspections

Listed below are the approved policies of the village that do not provide council and administration with substantive reason for the policy as noted in the policy statement:

Policy – Nuisance Bylaw Enforcement

Policy – Assessment Information Request Compliance

Policy – Land Sale for Residential Lots

Policy – Council Meeting Pay

Policy – Payment to Council and Committee Members

Policy – Council Expense Claims

Policy – Village of Donalda Volunteers

Policy – Snow Removal Policy

Policy – Proposed Meeting Procedures

5. RECOMMENDATION: That Council and administration undertake a complete review of the existing policies to ensure that they are meaningful, well-organized, and establish policies regarding: internal financial controls; bank reconciliations; petty cash; purchasing; website and email account access and maintenance; records retention; tax collections, utilities charges collections; and a comprehensive suite of public works policies.

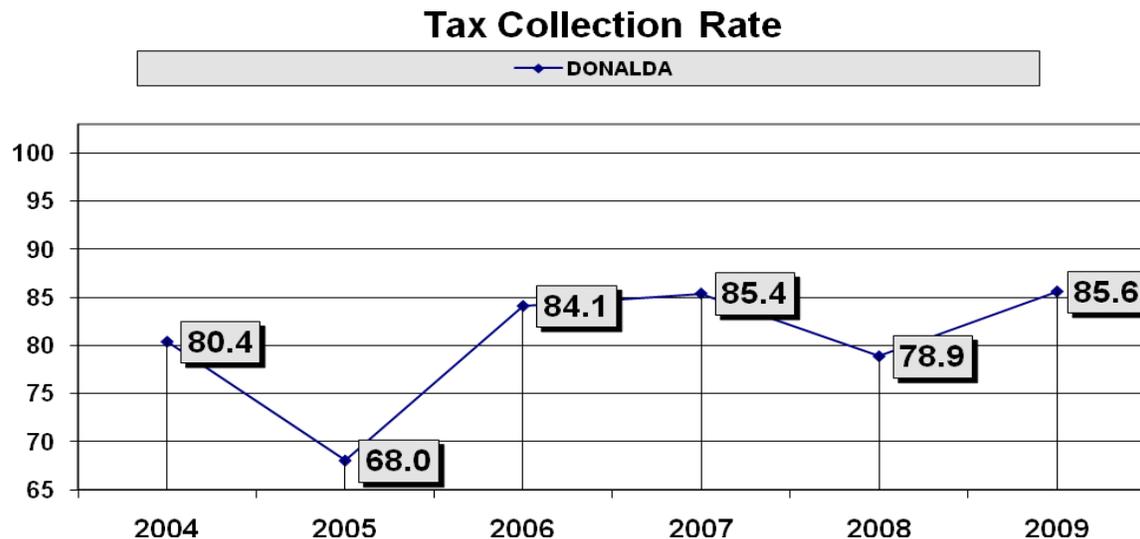
Finances

The management of a municipality’s finances is one of the most important responsibilities a municipal council and administration must fulfill. The primary components of managing municipal finances are establishing an annual budget, which includes identifying expected revenues and expenditures, and ensuring the operation of the municipality is consistent with the approved budget. This means that the village administration is tasked with ensuring revenues, including taxation, grants, and user charges are collected and that these revenues are spent in accordance with the approved municipal budget.

The Village of Donalda has had difficulty over the last few years in effectively securing their rightful revenues. This has emerged in three ways: a low rate of collection of municipal property taxes; a low rate of collecting utility charges (discussed earlier in

the report); and a failure to submit some grant applications to the provincial government to obtain municipal grants. These revenues, for the most part, are not lost to the municipality, because there are mechanisms in place that give the municipality opportunities to collect these revenues after the expected collection dates. For example, municipalities have authority to collect tax arrears from property owners and must proceed to auction of property if need be. Outstanding utility charges may be added to the property tax roll and collected in the same manner as taxes. And although the village has not been pursuing some provincial grant funds allocated to the village, the funds remain allocated and will be forwarded to the municipality upon completion of the application process. However, the lack of effective collection of these revenues does put strain on the municipality's finances, which could put it at risk for financial crisis and potential liability for such things as not being able to meet financial commitments.

The collection of property taxes should be a priority for any municipality, because it is the primary source of revenue. Failure to collect taxes throughout a tax year can result in cash shortages, and may require short-term loans to be able to make required payments and operating expenditures. The Village of Donalda has struggled with its rate of tax collection for many years, as illustrated in the following chart:



Note : This indicator reflects the percentage of taxes and grants in place of taxes which are collected by the municipality in the year in which they are levied.

The figures in the boxes denote the tax collection rate for the village for each year between 2004 and 2009. The Village of Donalda's tax collection rate has ranged from 68 per cent (or 31 per cent of taxes not collected) in 2005 to 85.4 per cent (or 14.6 per cent of taxes not collected) in 2007, within the five year period. A typical tax collection rate across all municipalities in Alberta is above 95 per cent for any given tax year. This chart shows that from 2004-2009 the village was well below a typical collection rate. As mentioned before, this has a major impact on the municipality's ability to pay for required expenditures.

RECOMMENDATION: That the village take action by establishing policies to receive rightful revenues, by ensuring property tax recovery proceedings occur annually for properties in arrears, municipal grants are applied for annually, and utility fees are collected regularly.

Financial Reporting

Municipalities are required by May 1st of the year following the financial year, to make available for the public copies of their annual financial statements, and submit those payments and a statistical document called a Financial Information Return (FIR) to Alberta Municipal Affairs. For example, the 2010 financial statements and FIRs were due to Municipal Affairs on May 1, 2011. This annual deadline exists to ensure municipalities are providing information regarding their financial position to the public and to the ministry as a measure of accountability. For both the 2008 and 2009 financial years, the village was 10 months late in submitting its financial statements and FIRs and in 2006, the village was over three months late. The village must ensure that for future years, the financial statements and FIRs are completed, approved by council, and submitted to Alberta Municipal Affairs in a timely manner.

Extensions were granted to submit financial reporting to the ministry for the 2008 and 2009 financial years, which is an allowance made periodically when it is requested by a municipality. It is considered a courtesy of the ministry to grant such extensions when there are sufficient business cases to do so. In each of these years, the village was provided two separate extensions, and yet the financial statements were submitted six months later than the third deadline in 2008 and three months after the third deadline in 2009. While we recognize that the ministerial approval was granted for the extensions,

we also note that council must ensure administration fulfills the required tasks for the auditor to complete the annual audits, and further, comply with legislative requirements (and in this instance, special exceptions made for the village in an attempt to accommodate the village's problems in completing the audits in a timely manner).

RECOMMENDATION: The village should ensure, in future years, that the financial statements and financial information returns are submitted to the public and Municipal Affairs in a timely manner.

Accounting

The village's financial auditor made a number of recommendations to the village in letters received in 2011 about the 2009 and 2010 financial years to improve its financial policies and accounting practices. Audit management letters are confidential in nature as they are contractual provisions understood by an auditor and client.

The inspectors, under the authority of Section 57(3)(b) of the Municipal Government Act and the Public Inquires Act, reviewed the audit management letters. Auditors make recommendations to clients to improve deficiencies in the accounting system by enhancing internal controls. Improving internal accounting controls strengthens the protection of municipal assets and the reliability of accounting information.

Prior council decisions to deal with outstanding funding allocations such as the Community Enhancement Fund, proceeds from tax recovery sales and land transactions must be dealt with. Staff must ensure that appropriate accounting procedures are in place to ensure that grants and other funding allocations are clearly identified for proper tracking.

Monthly bank reconciliations have not been provided to council for their information. As a result, utility deposit deferred revenue is not always funded. This task has been left for the accounting firm to undertake at the yearly audit. This practice may result in an extra cost to the village for the accounting firm to perform the reconciliation and the village is not certain of the balance in the bank account on a monthly basis.

It has been noted that the assessment roll amounts in the property tax bylaw do not agree to the property assessment summary prepared by the assessor. The village must

take measures to ensure that the amounts in the bylaw agree with the assessor's property assessment summary.

The village is currently using an outdated software package to manage financial matters. The village's software is no longer supported by its vendor and is not compatible with current financial processes such as tracking capital assets and calculating amortization, etc. The village should take measures to ensure that current software is available for the purposes of municipal financial operations.

RECOMMENDATION: The village must take action to ensure that staff is trained to carry out appropriate accounting functions for municipal operations.

Council/CAO Relationship

The Municipal Government Act in section 207 describes the Chief Administrative Office (CAO) as the administrative head of the municipality, who ensures that the policies and programs of the municipality are implemented and provides information and advice to council on matters of operations and other affairs of the municipality. It is important to respect the roles and responsibilities of elected councillors and the CAO.

Council, in its efforts to allow the new CAO to concentrate on getting up to speed, has made a decision that the new public works foreman should report directly to Councillor Whiteside due to his experience in management and working with machinery. This arrangement is contrary to proper reporting structure within the village as council is clearly encroaching onto a function of administration. Section 201(2) of the MGA provides that 'A council must not exercise a power or function or perform a duty that is by this or another enactment or bylaw specifically assigned to the chief administrative officer or a designated officer.'

A suggestion was made by one of the councillors that section 205(2) of the MGA that says 'Every council must appoint one or more persons to carry out the powers, duties and functions of the position of chief administrative officer,' gives council the option to appoint the public works foreman as a chief administrative officer, thus providing a legislative authority to allow the public works foreman to report directly to council. In our opinion, this is not the intent of the legislation, as the powers, duties, and functions of

the CAO are defined in the MGA (Sections 207 and 208), and the duties of the public works foreman do not fall within them.

Council has supported the CAO to attend the Society of Local Government Managers conference as part of her professional development. The inspectors view this as a good decision and positive for the CAO and the village operation as a whole. The CAO will likely develop a network of municipal colleagues in municipalities of similar size that can become a source of information and support in the village's operation.

<p>RECOMMENDATION: That council cease the practice of supervising the public works foreman and reassign the responsibility to the CAO.</p>

Minutes

The purpose of the minutes is to have a written summary of what transpired at the meeting and to record the decisions of council. The minutes must be structured to answer the who, what, where, when and why questions. The recording of a motion to move “in-camera”, requires the reason, such as a pending legal issue. By providing the reason, it is clear to the reader of the minutes that the item to which council moved to go in camera is one that allows the meeting to be closed to the public.

When recording the minutes it is important that an acronym for a board or society be typed out prior to using the abbreviation.

There is a legislated requirement that a public hearing must be held within a regular or special meeting of council. The regular meeting of council must be called to order and recessed before the public hearing is called to order. A review of the minutes revealed that this process was not followed for the August 13, 2009 public hearing.

The councillors and the CAO should be providing written reports for the purpose of reporting on meetings attended and activities non-routine in nature. It is not up to the recording secretary to determine what should be recorded in the minutes from verbal reports. The recording secretary is to record the minutes without note or comment.

At the conclusion of a council meeting, unapproved minutes should be made available upon request within a reasonable time period after the meeting. The documents

should be clearly marked as draft or unapproved with no signatures appearing on the document. When council approves the minutes, the last page should be signed by the presiding officer and the recording secretary, and each page initialed by the mayor.

As the minutes of council meetings are permanent records of the village, they must be stored in a manner that they remain safe from destruction. These important documents must be filed in a fire-rated safe or cabinet that may be secured.

Newsletter

Council and staff are to be commended for providing a newsletter for the public that communicates decisions of council and events happening in the community. Council may want to further rely on this newsletter to communicate new policy decisions and bylaws that affect people's property and activities. The responsibility to publish the newsletter rests with administration and it is recommended that council approve the content prior to printing the final product.

Boards and Committees

Municipal councils may establish committees for the purpose of conducting the business of council and appoint councillors to represent council on external committees or boards that require a council representative. Councils generally have two types of committees, standing and ad-hoc committees. Standing committees of council should be established by bylaw as they have long term mandates. A bylaw is not required for external committees, however a terms of reference describing the purpose of membership is valuable. Ad hoc committees may be established by a motion of council, should have a specific mandate and are usually of a shorter duration. Ad hoc committees should also have well defined terms of reference. At the initial organization meeting of the current council, a number of committees that the previous council attended were reduced.

Agenda

An agenda package is provided to council well in advance of meetings for councillors to review the materials and prepare for the meeting. Feedback from interviews with each councillor indicates they have been pleased with the agenda packages provided by the

new CAO as they provide much more information than those of the former CAO. The inspectors were provided with agenda binders to review on the day of the council meeting. The new administration is commended for providing an agenda package that is informative and easy to follow.

The agenda is an important part of the package. A well organized agenda provides for a council meeting which is orderly and efficient. The initial agenda provided to the inspectors during an interview with the CAO adequately included the business to be addressed at that meeting, however the flow or sequence of the agenda did not allow for certain approvals for the meeting to progress in an orderly manner. Right after the meeting is called to order, the agenda should be approved before proceeding. A sample agenda is available to view in the Municipal Administrator's Resource Handbook available on the Municipal Affairs website. The CAO did present council with a revised agenda immediately before the meeting, however this proved to be confusing for council and they proceeded with the agenda included in the package. Once a council package is released to councillors, no changes should be made to those packages without the consent of council at a council meeting.

Additional interviews

The inspectors engaged in a limited number of interviews with village residents. One of the residents expressed disappointment with the minister's decision to carry out a dissolution study rather than the inquiry petitioned for. They further described certain land dealings with former CAO Peter Simonds which resulted in a frustrating experience which included a purchase of property with no resolution to the issue.

The practice of discontinuing regular billing for utility services emerged as a concern. The belief exists that this practice has had a negative impact on village finances and that a return to regular billing for metered water service would address the issue of equity among residents rather than the flat fee presently in place.

There were also concerns with the former council and CAO's failure to enact many of the recommendations contained in the Pitman inspection of 2003. A belief existed that

the former council was too 'hands on' in performing many functions of administration, specifically public works functions.

Further concerns exist about financial issues in the village. It was stated that the present council doesn't have an operating budget in place and that an operating budget should be put in place much earlier for council and the CAO to use as a guide for the coming year. It is a concern that the audited statements for 2009 and 2010 have not been completed due to the failure of the previous CAO to provide required information to the auditors; it was suggested to the inspectors that the department of Municipal Affairs shares some blame in allowing this to happen.

Council should have a longer term plan for the village to look to the future as this and the previous council has never had one. There is a belief that the recent increases in utility charges may be due to mismanagement of utilities in the past. An issue also exists with obtaining council meeting minutes after a council meeting as administration has not released minutes until they have been approved by council at a subsequent meeting.

The interviews conclude that the newly elected council has gained the confidence of the residents and are on the right track. There is a belief that the new council and CAO will address many of the issues the former council and CAO failed to deal with.

Cross-Training

The former CAO was employed by the village for a number of years. During his tenure many routine administrative functions were not delegated to staff members and appropriate cross-training did not occur. The importance of ensuring that job functions to be performed within any organization are shared amongst staff members must be stressed. During the course of the interviews, it was noted that some staff members were performing functions independently with little or no cross-training being provided. Should a staff member be unable to attend work, it is important that another person has some familiarity with the job functions to ensure that the municipal operations can continue to run smoothly.

Conclusions:

As indicated at the beginning of this report, the inspectors are required to report to the Minster on any matter regarding the operation of the municipality that could be considered irregular, improper, or improvident. The inspectors have concluded the following matters may fit into these categories. Specifically:

Improper – “Deviating from fact, truth, or established usage; Not conforming to accepted standards of conduct or good taste; Unsuitable”.

- Verbal reports on councillors and administration activities must cease.
- Council must adhere to the provisions of the Freedom of Information, Protection of Privacy Act *FOIP* when addressing matters related to land, personnel, and certain third party contracts.

Improvident – “Lacking foresight; Incautious; Rash; Taking no thought of future needs; Thriftless”.

Both the previous Council and the previous CAO have failed in their leadership role to ensure the management of the municipality occurs in a manner that meets the requirements of the *MGA*. Examples are:

- Failing to complete and submit annual financial statements in a timely manner for the 2006, 2008, and 2009 tax years;
- Failing to collect property taxes at a reasonable rate since 2004;
- Failing to invoice and collect utility charges; and
- Despite being informed by their independent, unbiased, professional auditor of deficiencies in the management of the village, the previous council disregarded the advice.

Irregular – “Deviating from fact, truth, or established usage; not conforming to accepted standards of conduct or good taste; Unsuitable”.

- Writing off of former Mayor Nordahl’s utility account charges (and no abstention from the vote on this action) four days before the end of her term on council.

The inspectors believe the following recommendations should be considered by the Minister to implement as directives:

- 1. That all members of council and administration attend a Roles and Responsibilities workshop;**
- 2. Develop and approve a board and committee report to clearly describe meeting details such as meetings attended, location of meetings, mileage claimed, start and finish times;**
- 3. That council amends and follows its procedural bylaw and adopts a records retention bylaw;**
- 4. That the village follows the collection provisions of the utility rate bylaw. Council must further adopt a collection procedure policy to ensure collection tasks are defined and executed. The village must ensure all utility accounts become current in a timely manner;**
- 5. That council and administration undertake a complete review of the existing policies to ensure that they are meaningful, well-organized, and establish policies regarding: internal financial controls; bank reconciliations; petty cash; purchasing; website and email account access and maintenance; tax collections; utility charge and deposit collections; and a comprehensive suite of public works policies.**
- 6. That the village must establish policies to receive rightful revenues, by ensuring property tax recovery proceedings occur annual for property in arrears, municipal grants are applied for annually, and utility fees are collected regularly.**
- 7. The village must ensure, in future years, that the financial statements and financial information returns are completed and submitted to the public and to Municipal Affairs in a timely manner.**
- 8. Council must cease the practice of supervising the public works foreman; the responsibility should be reassigned to the CAO.**