

**October
2017**

Village of Hughenden, Alberta Municipal Inspection Report



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October 23, 2017

The Honourable Shaye Anderson
Minister of Municipal Affairs
18th floor, Commerce Place
10155-102 Street, Edmonton, AB, T5J 4L4

Re: Village of Hughenden, Municipal Inspection Report

Dear Minister Anderson:

An inspection has been conducted of the management, administration and operations of the Village of Hughenden, Alberta as directed by Alberta Ministerial Order No. MSL:061/17 approved on June 26, 2017.

The municipal inspection findings are contained in the following report along with recommendations respectfully submitted for your consideration.

Thank you for the opportunity to assist with this process. Our inspection team remains available to respond to any questions you may have regarding the inspection findings.

Sincerely,

Strategic Steps Inc.

Shari-Anne Doolaeye, MPA, Q.Arb, CLGM
President, Sage Analytics Inc.
Associate, Strategic Steps Inc.
Municipal Inspector, Village of Hughenden, Alberta

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EXECUTIVE SUMMARY

A municipal inspection was conducted for the Village of Hughenden, Alberta as directed by the Minister of Alberta Municipal Affairs. The independent inspection process involved great detail and rigor to review and evaluate the village's management, administration and operations.

Several areas of concern were identified, such as improvident spending and irregular procurement practices. Councillors lacked role clarity and improperly extended their reach into operational matters rather than providing proper leadership at the policy level to establish department service levels and corresponding budget commitments. Overall, the inspector is of the opinion that the municipality has been managed in an irregular, improper and improvident manner.

Organizational strengths were also noted, such as a proper process followed to pass bylaws, and strong policy efforts. Local officials and other stakeholders were highly cooperative throughout the inspection process and provided the inspection team with a significant amount of information. Citizens comments received send a strong message to council where members of the public expressed significant concern with village finances and called for stronger leadership.

The following recommendations are provided for the Minister's consideration:

FINANCIAL RECOMMENDATION: That the Minister establish the 2018 budget for the Village of Hughenden, in accordance with the MGA s. 244(3) and maintain financial oversight until the deficit is corrected. (Page 60)

RECOMMENDATION FOR PROCUREMENT PRACTICES: That the Minister establish oversight and guidance for the municipality's procurement practices to ensure consistency with the MGA, applicable trade agreements and other legislation. (Page 55)

RECOMMENDATION FOR FIRE SERVICES: That the Ministry provide guidance to assist community leaders and fire department officials to establish appropriate local service levels for the community; to advance and coordinate local and regional emergency services; and to provide guidance and recommendations for overall capital asset planning. (Page 40)

RECOMMENDATION FOR PLANNING DOCUMENTS: That the Minister direct the Village of Hughenden council to update key planning documents and related bylaws. (Page 29)

1 SCOPE OF MUNICIPAL INSPECTION

1.1 Legislative Basis and Provincial Mandate for the Municipal Inspection

The Minister of Alberta Municipal Affairs ordered a municipal inspection in response to a sufficient petition received from the electorate of the Village of Hughenden. Mr. Curtis Hughes was the petition representative.

A preliminary review was completed by Alberta Municipal Affairs in March 2017 which identified concerns that justified an in-depth review. The Minister of Alberta Municipal Affairs responded by ordering a municipal inspection in accordance with s. 571 of the MGA.

Alberta Municipal Affairs called for proposals from qualified, independent consulting companies to conduct a municipal inspection through a competitive bid process. Strategic Steps Inc. and Sage Analytics Inc. submitted a team proposal and were awarded the contract with Strategic Steps Inc. acting as the primary proponent. This independent, third party consulting team conducted a municipal inspection into the management, administration and operations of the Village of Hughenden and provided a report to the Minister with details of the inspection findings.

Alberta Ministerial Order No. MSL:061/17 was approved on June 26, 2017 where the Honourable Shaye Anderson, Minister of Municipal Affairs, appointed an inspector to conduct an inspection of the management, administration and operations of the Village of Hughenden pursuant to Section 571 of the *Municipal Government Act*¹ (MGA). Upon review of the inspection findings, the Minister may order directives upon a municipality pursuant to the MGA s. 574.

The following definitions were used in reference to the above MGA sections:

Irregular: Not according to established principles, procedures or law; not normal; not following the usual rules about what should be done.

Improper: Deviating from fact, truth, or established usage; unsuitable; not appropriate; not conforming to accepted standards of conduct.

Improvident: ... Lacking foresight; taking no thought of future needs; spendthrift; not providing for, or saving for the future; not wise or sensible regarding money.

¹ MGA, (2015). *Municipal Government Act*. Revised Statutes of Alberta 2000, Chapter M-26. Edmonton: Alberta Queen's Printer.

1.2 Municipal Inspection Project Components

The municipal inspection process included the following tasks and services:

1. Review and evaluation of:
 - bylaws and key policies for adequacy, relevancy, consistency, and conformity with legislation;
 - the structure of council committees in relation to legislative requirements;
 - the process and procedures used to prepare for council meetings;
 - council's understanding of their role and responsibilities;
 - council's leadership and effectiveness in working together;
 - the CAO's understanding of their role and responsibilities;
 - the process for preparing and approving council meeting minutes and
 - the process for preparing and approving council meeting agendas and minutes and a review of recent minutes;
 - the financial status of the municipality;
 - the financial reporting to council;
 - the budget process;
 - a review of key planning documents
 - attendance at, and evaluation of, the conduct of a council meeting
 - a comparative analysis of the property assessment and tax rates with similar municipalities;
 - interviews with all members of council and the CAO, staff, and a sample of residents;
 - toured significant municipal buildings and facilities.
2. Prepare a written report to the Minister of Municipal Affairs for review and consideration, including:
 - A description of the legislative basis for inspections and the specific authorization for the inspection
 - A description of the municipality
 - A description of the legislative authority, roles and responsibilities of council and administration
 - A description of the inspection findings, analysis, conclusions, including a statement of whether or not overall, the municipality is managed in an improvident, improper or irregular manner and identify those improvident, improper, or irregular matters;
 - Any recommendations to the Minister to address results of the inspection process.
3. Present a summary of the report to the municipal council in camera.

The report written for this inspection was somewhat different and more condensed than previous inspections conducted by Strategic Steps Inc. In accordance with new contract requirements, this report reflects a more refined municipal inspection process with a strong focus on the Minister as the audience. The report excludes local recommendations that may resemble a corporate review, which is a different and separate process from a municipal inspection.

1.3 Project Timeframe

The appointed municipal inspector and inspection team conducted research, interviews and data collection primarily during July and August 2017. The inspection team followed local issues and remained available to receive further information and seek clarification from stakeholders until the final report was submitted to Alberta Municipal Affairs in October 2017.

1.4 Research and Interviews

Project research began with an extensive review of key documents and stakeholder interviews conducted by the inspection team. The municipal inspection team held diverse subject matter expertise and knowledge of municipal matters across areas of governance, administration, operations, finance, planning, and protective services.

Council, staff and other stakeholders were obliging and cooperative in providing information upon request. Residents and other stakeholders were also invited to provide input into the inspection process by participating in an anonymous online survey which was completed by approximately 30 respondents.

A designated email address was established specifically for this municipal inspection to allow residents and other stakeholders to easily contact the inspector during the inspection. The inspector's contact information (email address and phone number) was widely available to the community on the municipality's website during the inspection.

The inspection process included several stakeholder interviews conducted to gather data and to develop an understanding of the community dynamic and local events. Local interviews were conducted with council, staff, the petition representative, various stakeholders and a random sampling of residents. Interviewees were asked consistent questions and the *quantitative* and *qualitative* data provided was used to assess and summarize information themes gathered from a fairly representative sample of the community population. Many stakeholders were provided with follow-up interviews where further clarification was required, and to give individuals a chance to hear and respond to sensitive matters affecting them.

2 MUNICIPAL DESCRIPTION

2.1 Municipal Profile

The Village of Hughenden was incorporated on December 27, 1917 and celebrated its 100th anniversary with a 2017 Centennial celebration. The quiet streets show beautification efforts and a high level of community pride. There are several amenities in this small community, including a K-9 school, bank, grocery store, senior's centre, community hall, arena, parks, playgrounds, bowling alley, and several businesses.

Urban and rural municipal neighbours include:

- MD of Provost No 52
- Town of Provost
- Village of Amisk
- Village of Czar

The current municipal profile² and financial statements show the following statistics:

- 3 Member council
- 3 Full-time staff positions
- 258 Population
- 124 Dwelling units
- 6.0 Kilometers of open maintained roads
- 4.5 Kilometers of water mains
- 5.5 Kilometers of wastewater mains
- 76.0 Hectare land base
- \$63,500 long term debt
- 12.6% of debt limit used



Figure 1 - Main Street, Hughenden, Alberta

² http://www.municipalaffairs.alberta.ca/mc_municipal_profiles. Data is provided from most recent available statistics from 2015 and 2016.

2.2 Geography

The Village of Hughenden is located approximately 230 kilometers southeast of Edmonton, Alberta, as shown in the following Google maps:

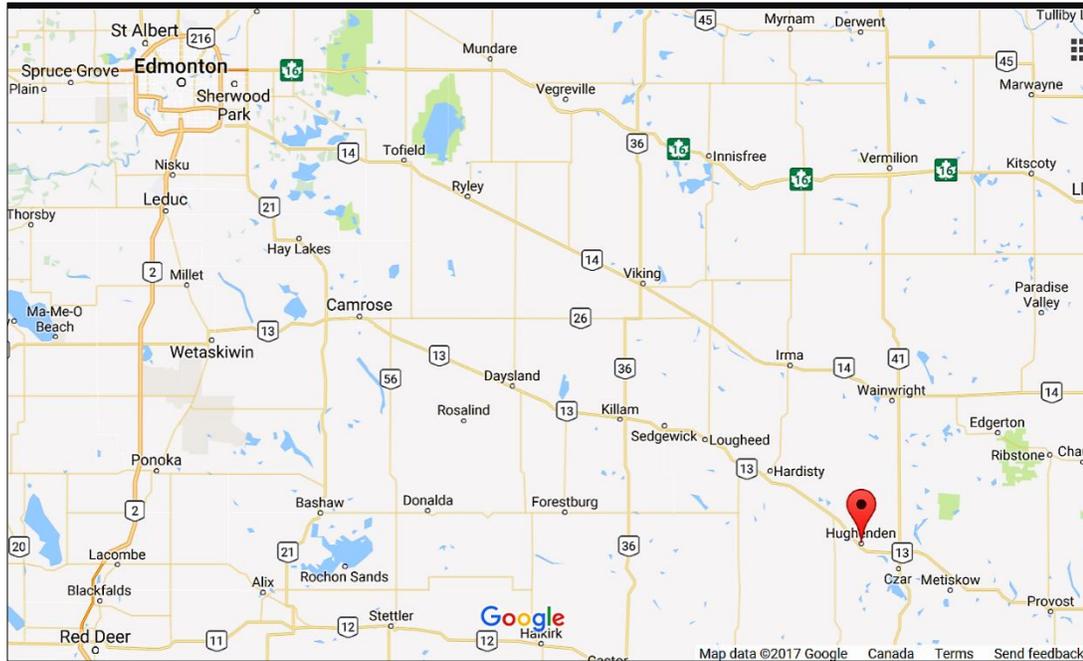


Figure 2 – Map showing proximity from Edmonton, Alberta

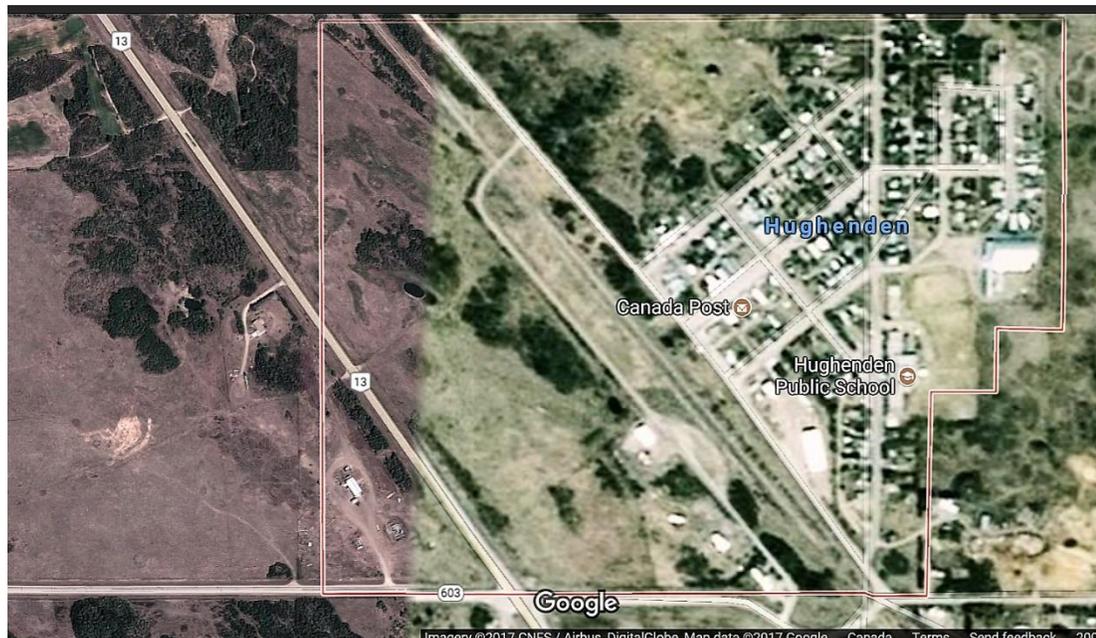


Figure 3 – Map of Hughenden, Alberta

MUNICIPAL INSPECTION FINDINGS

3 GOVERNANCE

3.1 Municipal Purpose

Alberta municipalities are established under provincial authority and are required to follow provincial and federal legislation. The *Municipal Government Act, Revised Statutes of Alberta 2000, Chapter M-26 (MGA)* is a primary piece of provincial legislation that provides order, authority and direction to municipalities. The MGA gives broad authority to municipalities to govern their respective jurisdictions and specifies the roles, responsibilities and limitations of councils in carrying out governance activities. The MGA is specific about many governance aspects, including the basic purposes of a municipality, as follows:

Municipal purposes

3 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.*

3.2 Council Structure

The Village of Hughenden is governed by a three-member council elected at large. The following individuals served on municipal council for the Village of Hughenden during the 2013-2017 council term and during the municipal inspection:

- Mayor Lee Van Koughnett
- Councillor Marje Swelin (Deputy Mayor)
- Councillor David Griffith

There was limited competition for council positions in recent years. Election records show that all three council positions were declared elected by acclamation in the 2013 and 2010 general elections. In 2017, six candidates, including two incumbent council members, submitted nomination papers for a council position. This surge of interest in municipal council positions differed from elections by acclamation in past election years. The October 16, 2017 election had a 69% voter turnout and the following individuals were elected to serve as Village of Hughenden Councillors in the 2017-2021 council term: Doug Chambers, Amber Griffith and Jeanette Ruud.

3.3 Council Role Clarity

The breadth and importance of councillor responsibilities requires a solid orientation. Ongoing teambuilding efforts and refresher training on council roles and responsibilities can strengthen professional meeting conduct, decorum and chairmanship. Council orientation is a very valuable education component for council members to learn or reinforce roles and responsibilities at the start of each council term, or following by-elections. The broad governance responsibilities of elected officials should not be taken lightly. MGA amendments effective July 1, 2017 now require orientation training to be offered to councillors following an election or by-election (s. 201.1(1)).

Council members indicated that they received a very limited orientation, and that they jumped right into their governance role in 2013 with little training at the beginning of the term. One comment was shared that council members were handed a copy of the MGA and *“learned the job [flying] by the seat of their pants.”*

Hughenden council members generally did not participate in ongoing professional development opportunities or municipal conferences during their term. The lack of councillor training was noted by some community members, such as a stakeholder comment stating that: *“Good leadership will strive to educate themselves; this council doesn’t.”*

Limited orientation and training likely contributed to a lack of role clarity among council members. Records show that councillors were heavily involved in day-to-day administrative and operational matters.

Council as a whole acted improperly by extending their reach beyond the CAO to impact and direct subordinate staff members rather than providing broad policy guidance by approving service levels and annual budget allocations. Some council members became personally involved in operations by completing operational tasks, and acquiring project quotes.

Lines of responsibility were considerably blurred between governance and operational roles within the village. Records show that Mayor Lee Van Koughnett worked directly on several village projects in a variety of capacities, including volunteer, contractor and subcontractor; sometimes using village resources and equipment to complete the work.

Although council members demonstrated a strong dedication to the community, their involvement in operations was irregular. In one local beautification example, volunteer work to level and place retaining wall blocks was completed by the mayor's company, VK Trenching as noted in the July 2015 CAO report to council, shown below:

Lastly VK Trenching has indicated that they would prepare the area at the end of McKenzie (Devonian Park) and place the blocks for the retaining wall at their cost. Thank You!

Staff reports often referenced the *"great work done by [Mayor] Lee and his crew"* such as the following excerpt from a public works report from August 2015:

- **Water valve, hydrant jobs by Lee and his crew all done. All looks great.**
- **Retaining wall at the end of Mckenzie and Devonian Park tree removal project going well. Great work by Lee and his crew.**

In another example of council member involvement in operations, the December 2016 Public works report to council shows that Councillor Griffith was trained to cover water treatment plant operations during the 2016 Christmas season, due to a staff shortage:

- **Trained CAO and Councilor Griffith on WTP chlorine testing and data entry on Dec 20th, 2016. Councilor Griffith to check on WTP for Dec 24, 25 & 26. WTP Operator will handle all other days over Christmas season.**
- **Back-up WTP Operator and Public Works worker is away for holidays from Dec 19th – Jan 9th, 2017.**

In January 2017, public works staff thanked Councillor Griffith for assistance:

- **Thank you to Councilor Dave G. for looking after the plant on the 24, 25 and 26th of December. No issues were reported**

Though apparently well-intended within a "good neighbour" environment, Hughenden council members lacked role clarity and acted in an improper and irregular manner by performing operational duties and not adhering to their higher-level governance and policy responsibilities. Furthermore, municipal operations require specific technical skills, training and certification to ensure public safety for water/wastewater treatment and distribution, as well as ongoing compliance with Alberta Environment licencing approvals.

3.4 Council Leadership

Municipal council leadership serves as a central force to accomplish municipal purposes and provide good government (MGA s. 3). Strategic planning is one of the key ways in which a municipal council identifies and communicates priorities for the future with goals to achieve the municipality's vision. A council participates in aligning resources with strategic priorities through the budgeting process and establishing local service levels by policy or bylaw.

Strategic planning lacked attention in the Village of Hughenden. Council's leadership and decision-making was not linked to solid planning efforts and they acted in an improvident manner by often failing to consider the future needs of the community. In some respects, the council appeared to "say yes" to almost every financial request that came before them. This generous "Christmas Council" mentality resembled a policy term of a "*death by a thousand cuts*" by consistently chipping away at the source.

Sometimes there are valid reasons for leaders to "say no" after considering a request, especially during times requiring fiscal restraint. Regardless of the decision outcome, leaders should provide solid reasoning for their decisions after considering the immediate and long-term impacts. Some examples of approvals that appeared overly generous by Hughenden's council include the development of an RV storage park, various land purchases, a land 'donation' to the fire department, reduced utility costs for the local library, and reduced minimum taxes for a developer.

Some projects seemed to appear on a whim rather than through a careful stewardship process and long-term planning to manage local infrastructure needs. The RV storage park, public restrooms, a fire department BBQ truck, and decorative stone for the village office are examples of non-core infrastructure projects that consumed official's time and/or village resources.

Council lacked careful stewardship and capital planning efforts to address broad infrastructure needs. Officials were often in a reactive position dealing with emergent items such as utility line infrastructure failures. Despite aging infrastructure, capital planning efforts were lacking and officials struggled for new capital project ideas. In a July 2015 report to council the CAO commented that "*Now I just need to come up with projects to cover the amount of MSI Capital that the village has allocated and not used (\$174,000.00).*"

Officials invited project ideas through informal public consultation efforts. The March 2017 CAO report indicates that “people are still coming in with their priority list” as shown below:



CAO Report – March 2017

I haven't put the suggested Capital Projects on the agenda as there are still people coming in with their priority list. As these are capital projects and will have to be applied for funding I will have a formal list compiled for April meeting. I am quite pleased with the projects that were submitted and the priorities that are being submitted. I believe that it has been a worthwhile process that will bear fruit. I have not done too much more with the operating budget other than adjust some expenditure items. Most of my time has been on the Recovery Plan and the three year projection.

The village lacked solid professional engineering assistance for *overall* capital planning and infrastructure replacement. Some past engineering expertise was engaged for certain projects, such as the water treatment plant as well as road widening, as shown in the following excerpt from the June 20, 2017 council meeting:

**TNT ENGINEERING
REPORT RES 633-17**

TNT ENGINEERING REPORT

Moved by Deputy Mayor Marje Swelin

“THAT the engineering report from TNT Engineering on Rydberg Street Widening and Simpson Avenue surface drainage and McKenzie Avenue surface drainage be accepted for information and used as reference when those projects come up for development.”

CARRIED

Staff seemed to give their best effort to maintain aging infrastructure with limited time and resources. A June 2015 public works report to council refers to water mainline repairs and a preventative maintenance list:

Water distribution issue occurred on Saturday June 13, 2015. Detailed incident report attached. Lee and his crew have been doing an excellent job thus far in corrected the damaged main line area. 2 other valves that were on the preventative maintenance list from last year's report have been fixed. (hydrant to the west of Selkirk avenue and Campbell street, and intersection of Simpson avenue and Ryberg street

Failing to plan for the future is an improvident matter that has affected the viability of this community. The local leadership was resting on a weak foundation that lacked the stability of solid evidence-based planning to guide council's decision-making. This lack of vision and overall planning contributed to the current financial deficit concerns facing the community.

Local stakeholders were given the opportunity to rate the leadership shown by the current council through the municipal inspection survey and interviews. The majority of respondents gave the current council a weak leadership rating, as shown in the chart below:



Figure 4 - Council Leadership Rating

Some stakeholders commended council's leadership but several other stakeholder comments reflected a desire for increased transparency and more prudent spending, as shown below:

- *I think the leadership is good, the council has really improved the village over the years.*
- *Lack in vision and poor spending.*
- *Capital plans were not discussed with or divulged to village citizens. Friends of council were hired for positions within the village.*
- *Council seems unwilling to present their agenda to the public either through the monthly newsletter or general meetings.*
- *Missed grant opportunities, conflicts of interest and careless financial management have been frustrating.*
- *There has been a lot of conflict in the past couple of years with council and the citizens and groups of the village. There were many issues between the fire department and council. There have been lapses in judgement that have made people question the integrity of our mayor.*
- *Council has driven this village into the ground. Need a three-year plan but refuse. Focus is on non-relevant areas such as washrooms at end of main street. I believe this is tabled without argument.*
- *Certain people on council can hold back the growth of the town and improvements while others want to improve the town.*
- *They built a RV storage park without public input that is used by one family, how much did this cost? The deputy mayor was wanting to build a public washroom and change room and was pushing hard for it until [the] community became involved.*

3.5 Council Committee Structure

The MGA (s. 145-146) provides specific direction that a council may pass bylaws to establish council committees and the conduct of members of council committees. Local bylaws were in place for nearly all local committees. Council committee participation included a strong regional focus such as waste management, protective services, recreation, FCSS and a local senior's lodge. Committee appointments were made during annual organizational meetings.

Organizational meetings were held annually in accordance with the timeframes required in the MGA s. 192(1) and minutes show that proper content was discussed during organizational meetings. Some improper items were also noted in past organizational meetings. For example, the October 18, 2016 organizational meeting minutes show the following:

1. An improper use and reference to designate the deputy mayor as a 'designated officer' of the municipality:

**Position of
Designated Officer
(Deputy Mayor)**

Mayor Van Koughnett called for nominations for the position of Designated Officer (Deputy Mayor).

Dave Griffith nominated Marje Swelin for the position of Designated Officer (Deputy Mayor).

Moved by Mayor Van Koughnett THAT upon Marje Swelin's acceptance of the nomination and as there were no further nominations, THAT nominations cease and THAT Marje Swelin be named to the position of Designated Officer (Deputy Mayor) by acclamation

CARRIED

2. It is not necessary to state that an official accepted a nomination "by acclamation."
3. Minutes do not record the location of the meeting.
4. The CAO called the meeting to order. This historical practice is improper and not recommended.
5. Council members appointed themselves as both the Development Authority and the Subdivision (and Development) Appeal Board.
6. Council did not pass a formal resolution for board and committee appointments. Since council can only act by resolution or bylaw, a resolution and vote of council is needed, rather than just listing committee appointments. An excerpt from the organizational meeting minutes is shown below:

**Committee
Representatives**

The following members and alternates were appointed to sit on the designated boards:

FCSS PROVOST- David Griffith **Alternate:** Marje Swelin

**HILLCREST LODGE (PROVOST SENIOR CITIZEN'S HOME FOUNDATION)
BELLKIRK VILLA**- Marje Swelin **Alternate:** David Griffith

SUBDIVISION APPEAL BOARD- Lee Van Koughnett, Marje Swelin, Dave Griffith

DEVELOPMENT AUTHORITY- Lee Van Koughnett, Marje Swelin, David Griffith

EMERGENCY MEASURES (DISASTER SERVICES)- Lee Van Koughnett
Alternate: David Griffith

EAST CENTRAL 911- David Griffith **Alternate:** Lee Van Koughnett

MD 52 WASTE MANAGEMENT AUTHORITY- Lee Van Koughnett
Alternate: David Griffith

LAKEVIEW CEMETERY- Marje Swelin

LIBRARY- Marje Swelin

PARKLAND REGIONAL LIBRARY- David Griffith **Alternate:** Lee Van Koughnett

WEST RECREATION COUNCIL- Lee Van Koughnett **Alternate:** David Griffith

WEST FIRE & RESCUE COMMITTEE- David Griffith **Alternate:** Lee Van Koughnett

3.6 Council Meeting Procedures

Regular council meetings were held once per month with an occasional special meeting held as needed. Council members are guided by a Council Procedural Bylaw 447 (2005) which specifies *"the procedure and conduct of council meetings."*

The municipal inspector and/or other members of the inspection team attended the following council meetings to observe and evaluate the meeting conduct:

- July 18, 2017 regular council meeting
- August 15, 2017 regular council meeting
- September 19, 2017 regular council meeting

The following observations were noted by the inspector during council meetings:

- Overall, the council meetings were fairly informal with a relaxed tone.
- Officials were respectful of each other, staff, delegations, and the public present.
- Council members spent an unusual amount of time reading the agenda material, which gave the impression of limited preparation and review prior to the meeting.
- Council discussions devolved into several operational details such as flowers, waterline servicing depth, unsightly properties and office storage bin totes.
- Council sometimes gave direction to staff without formal resolutions: *"Contact Bob..."*

- Staff recommendations were provided for some agenda items, but not all.
- Council worked collegially together and got along well.
- Council members always voted together, unanimously, without dissenting votes.
- Council allowed or invited comments from members of the gallery.
- The CAO and public works foreman engaged in operational discussions during the council meeting which seemed to indicate weak day-to-day communication and management planning on substantive issues.

Minutes show that council held an improper past practice of allowing comments from the gallery rather than requiring formal delegations. As an example, the following Agricultural Society comments from the November 15, 2016 regular council meeting:

6.10 HUGHENDEN AG SOCIETY

Aaron Gramlich was in the gallery and reported that they had replaced the roof on the lobby, new fascia, soffit and lots of other repairs done over the summer. The users are down, but because of lower numbers minor hockey is split with Hardisty.

Council meeting preparation included meeting agendas that were provided to council in advance, typically on the Friday before a Tuesday evening meeting. A two-page agenda summary was available to the public on the municipal website prior to meetings, and one printed copy of the detailed agenda was usually available for the public to share during meetings.

One stakeholder indicated that providing agendas to the public was a new practice: *“it has only been since last fall that agendas have been posted on [the] Village website, and minutes are now being posted...but are often months behind.”* Regardless, officials are commended for engaging in a best practice to have meeting agendas and minutes available to the public in electronic format, prior to meetings.

Through the municipal inspection survey, stakeholders were asked to rate the level of professionalism they observed in the council meeting process. Most respondents indicated that they observed a low or average level of professionalism in the council meeting process, as shown in the chart below:

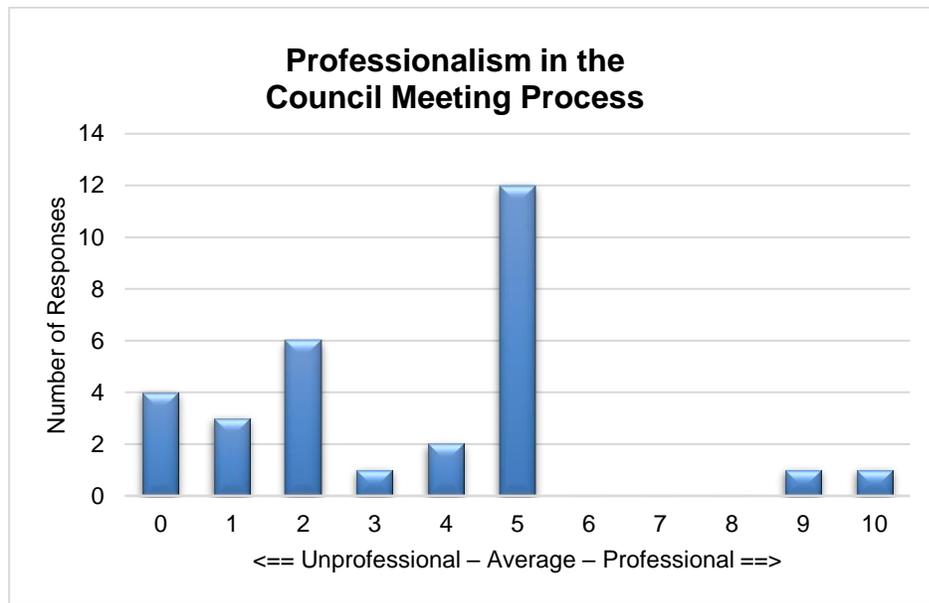


Figure 5 - Public Rating of Professionalism in Council Meetings

Survey comments on council meeting professionalism varied greatly stating that: *“Councillors are always professional; Some citizens were disruptive with whispering and having conversations during the meeting; Council was unprepared for meetings and not familiar with rules of order; that one councillor verbally attacked a presenter; and that the CAO was put into a political role in the meeting defending council members.”*

Council meetings were regularly attended by some members of the public. Sixteen survey respondents indicated that they had attended a council meeting in the past three years. Some stakeholder comments reflected an improper public expectation to participate in council meeting discussions: *“Rude and questions not answered to the point you just get up and leave.”*

Transparent decision-making is a fundamental tenet of local government. There is an expectation that a municipal council will deliberate matters of local concern in a public setting with respectful, professional meeting procedures. Members of the public have the right to be present in the gallery to attend council and committee meetings, in accordance with the MGA s. 198.

The right of the public to be present during council meetings is not intended to mean that the public can actively engage in council meeting discussions. Local governments follow a system of representative democracy where candidates are elected to represent the citizenry. This is different from participative democracy, or direct democracy, where all citizens are actively

involved in all important decisions.³ To be clear, local governments in Alberta follow a system of representative democracy where citizens elect council members to represent them in making decisions.⁴

Council members engaged in improper debate with delegations at times, such as the following example from the May 23, 2017 council meeting:

GUESTS and DELEGATIONS

Susan Reynolds addressed Council at 7:10 pm.

Items addressed were the hiring of a new CAO and transparency in the process. The disagreement between her and Deputy Mayor Marje Swelin. Mayor Lee Van Koughnett brought up the point that in her letter indicated that council wasn't qualified to hire a CAO and that the Mayor has not put his best foot forward. Mayor Lee Van Koughnett indicated it feels like Council is being picked on. Susan Reynolds indicated that Deputy Mayor Marje Swelin is rude and disrespectful and ignores people and has an unlisted phone number.

Deputy Mayor Marje Swelin replied to the allegations.

Delegation ended at 7:20 pm.

Council members acted in an improper manner by regularly inviting or allowing comments from public members seated in the gallery. These casual, impromptu discussions invited disorder to the formal council meeting process. At the September 19, 2017 council meeting, a new item was proposed where council members would have a "general discussion" prior to meeting adjournment. The intention of the discussion was to increase rapport among officials. This loose, unstructured agenda item is improper since it detracts from the formal meeting process.



Figure 6 – Village of Hughenden Council Chambers

³ http://www.encyclopedia.com/topic/participatory_democracy.aspx

⁴ http://www.lopparl.gc.ca/About/Parliament/Education/ourcountryourparliament/html_booklet/democracy-defined-e.html

3.7 In Camera Portions of Meetings

The MGA s. 197 allows a council to close all or part of a meeting to the public in accordance with the exceptions to disclosure found in Division 2 of Part 1 of the *Freedom of Information and Protection of Privacy Act*.

An improper matter was noted in the past where meeting minutes did not show the nature of the item discussed or the FOIP provision identifying the reason to close the meeting to the public. Sometimes closing a portion of a meeting to the public was handled in a casual manner, such as shown in the following August 18, 2015 excerpt where meeting minutes don't clearly show that council "voted" to go in or out of in camera:

Confidential	Mayor Lee Van Koughnett moved the meeting go ' <i>In Camera</i> ' at 9:10 pm. To discuss personnel issues.
	Mayor Lee Van Koughnett moved the meeting come ' <i>Out of Camera</i> ' at 10:00 p.m.
Adjournment	Mayor Lee Van Koughnett adjourned the meeting at 10:00 pm.

The December 12, 2014 council meeting minutes contain another example of council following an improper process without proper motions to go in or out of camera, and no description is provided for council's reason to close the meeting to the public, as shown below:

Council moved '*In Camera*' at 7:50 p.m.
Council Moved '*Out of Camera*' at 8:15 p.m.

Improvements were recently made in handling the process for closing meetings to the public and officials are commended for this improvement. As shown in the following November 15, 2016 excerpt, there were proper motions made and a reference to the *FOIP Act*. In addition, the applicable section of the *FOIP Act* will need to be referenced.

GO IN CAMERA 8:15 P.M.	Mayor Van Koughnett moved the meeting Go In Camera to discuss land issues. (Division 2 of Part 1 of the <i>Freedom of Information and Protection of Privacy Act</i>) CARRIED
COME OUT OF IN CAMERA 8:35 P.M.	Mayor Van Koughnett Moved the meeting Come out of In Camera . CARRIED

3.8 Meeting Minutes

The MGA requires council meeting minutes to be properly stored and presented to council for approval in accordance with the MGA s. 208(1). Hughenden maintained a proper system to record, store and present meeting minutes to council. Contrary to best practice, draft meeting minutes were not available to the public on the municipal website.

Meeting minutes showed a list of boilerplate items which often contained empty content rather than strictly recording resolutions which are the “actions” of the council. There is no need to take up space and time on the agenda and in the meeting minutes to mention empty items that do not require council action. As shown in the minutes excerpt below, several items report that “*there was nothing to report...there was nothing to add.*”

Village of Hughenden
Regular Meeting
March 17, 2015

LGAA – There was nothing new to report on LGAA.

WASTE MANAGEMENT AUTHORITY – There was nothing new to report on Waste Management Authority.

AUMA/AMSC – CAO reported that it is hoped to have a representative or a report regarding the energy program. The Village still has not received a revised billing regarding the insurance.

CAO REPORT – There nothing new to add to the CAO Report.

WTP/PW REPORT – In addition to his report the WTP/PW Foreman presented rate sheets from various contractors and a summarizing sheet.

**Reports, Financial &
Other M.B. # 15/398**

Moved by Mayor Lee Van Koughnett, **THAT** all reports including the Financial Reports, Cheque Log, Cao Report and WTP/PW Report be approved as presented.
-Carried-

Council meeting minutes contained notes and comments, which is an improper matter. Council acted in an irregular manner by giving direction and acting in the absence of a resolution on several occasions, such as the example shown below:

Village of Hughenden
Regular Meeting
June 25, 2015

**Speed on McTavish
Street**

CAO is to prepare a amending bylaw for the July meeting increasing the speed on McTavish Street from the Railway Crossing (Rydberg Street) to Simpson Avenue to 50 km.
There was a brief outburst during the discussion from the WTP/PW Foreman.

As another example, on August 18, 2015 council directed the CAO and the public works foreman without a resolution. The nature of the direction given also shows that council was heavily involved in administrative and operational matters such as ordering a water meter, valve, and a toilet, rather than maintaining their higher-level policy role of approving budgets and service levels.

Unsightly and Health Concern Properties

The CAO was instructed to contact Alberta Health in Wainwright and get more information regarding whether the Village or Alberta Health can do anything with the properties that have health concerns.

Water Treatment Plant Upgrade

WTP/PW Foreman was instructed to order the necessary 6 inch water meter and 6 inch butterfly valve and see if an alternate source can be found for VFD controllers.

Devonian Park Washroom/Toilet

CAO was to look into getting a toilet that was in better condition for Devonian Park.

Council meeting agenda packages contain staff reports to council which generally reflected a good natured and casual relationship, such as the following excerpt from the August 2015 public works report:

- **Lagoon will get its annual hair cut in the next couple of weeks and I will determine a good date to release cell #2 into the west pasture.**

It appeared that the CAO did not edit, approve or sign off on reports from departments prior to including staff reports in the agenda package. Staff reports contained an excessive and unnecessary level of detail for a report to council, such as the following excerpt from the October 2015 public works report:

- **Annual lagoon samples have returned and the results were good. BOD = 6 mg/l (Alberta Guideline Limit n/a), CBOD = 2 mg/l (Alberta Guideline Limit – 25 mg/l), and TSS = 10, (Alberta Guideline Limit – 25 mg/l) The approximate outflow was 352 000 usg or 1.3 ML**

3.9 Pecuniary Interest

Alberta's local government system emphasizes transparency and the MGA s. 172 gives clear direction to council members to conduct themselves properly when they encounter pecuniary interest situations. According to the MGA s. 170, council members have a pecuniary interest if a decision of council could monetarily affect a councillor, a councillor's employer, or councillor's family. A monetary impact could be positive or negative. In brief, officials are required to disclose the nature of a pecuniary interest, abstain from voting and discussion, and leave the room until discussion and voting on the matter are concluded.

There are instances where the mayor acted in an irregular manner and did not comply with legislative requirements to abstain from voting and discussion on matters of a pecuniary interest. For example, the mayor's daughter was employed for the village as an administrative assistant and the mayor participated in a decision to terminate her employment, as shown below:

Village of Hughenden
Regular Council Meeting

January 24, 2017

ADMINISTRATIVE ASSISTANT

Moved by Mayor Lee Van Koughnett

"THAT the administrative assistant be laid off with two weeks' notice."

CARRIED

Mayor Van Koughnett informed the inspector that he *"didn't think that this was a pecuniary interest matter since it was negatively affecting him and his daughter"* rather than having a positive impact. He also indicated that since it was a sensitive matter he felt that it was right that he was *"the one to make the motion"* and further, that he *"wanted to show the community that we are making cuts"* to expenses.

In another example shown below, the meeting minutes from July 28, 2015 record that the mayor abstained from voting, but the general nature or reasons for pecuniary interest are not stated in the minutes. The mayor informed the inspector that he abstained because he was interested in purchasing the property at that time, but never did. There is also no record that the mayor left the room during voting and discussion:

**Lots 1&2, Block 13,
Plan 8721664
M.B. # 15/431**

Mayor Lee Van Koughnett abstained from voting for pecuniary interest reasons.

Moved by Deputy Mayor Marje Swelin, THAT the matter of what to do with Lots 1&2, Block 13, Plan 8721664 be tabled to the August 18, 2015 meeting.
-Carried-

On December 21, 2016 the mayor declared a pecuniary interest and left the meeting. The nature of the pecuniary interest related to R#575-16 below is not stated, however, the inspector was informed that Reliance Energy Services Ltd. was the mayor's employer around the time that the project expenses were incurred.



Village of Hughenden
Regular Council Meeting

December 21, 2016

**9.0 OLD BUSINESS
RES 575-16**

9.1 RELIANCE ENERGY SERVICES LTD – PAVING PROJECT INVOICE

Mayor Lee Van Koughnett declared a pecuniary Interest in the matter and excused himself. Lee Van Koughnett left the Council Chambers at 7:15 pm. Deputy Mayor Marje Swelin assumed the chair.

Moved by Councillor David Griffith

"THAT the Village approve the invoice from Reliance Energy Services Ltd. In the amount of \$20,027.36 and that the account be paid."

CARRIED (2-0)

Lee Van Koughnett entered Council Chambers at 7:20 pm. and assumed the chair.

3.10 Bylaws

Village of Hughenden bylaws were generally well prepared and related minutes showed that the council acted in a proper manner to give bylaws three distinct readings in accordance with the provisions of the MGA s. 187. The sample of municipal bylaws reviewed were found to have logical titles and followed a chronological numbering format. Original bylaws were organized and stored securely in the village office. Relatively few bylaws were available electronically on the municipal website as shown below:



Bylaws Update 2015

Bylaw 486-15 Rates of Taxation 2015

Bylaw 485-15 Animal Control Bylaw

Bylaw 482-14 Rates of Taxation 2014

Bylaw 481-14 Public Place Bylaw

Bylaw 480-14 Cemetery Bylaw

Some bylaw irregularities were noted, such as an irregular action of council at the January 20, 2015 regular council meeting where it appears that they attempted to change utility fees by resolution as shown below, rather than properly amending the respective utility rates bylaw:

**Library Utilities
M.B. # 15/384**

Moved by Clr. David Griffith, **THAT** the rate for Water and Sewer for the Hughenden Public Library, Hughenden Golden Circle and Hughenden Community Hall be set at \$29.10 for water and \$14.05 for sewer and **THAT** the deductible for building liability insurance be increased.

-Carried-

On another occasion, the wording of council R#515-15 from the May 30, 2016 special meeting shown below appears that council attempted to amend the utility rates bylaw with a resolution. Further research shows that administration prepared an amended Utility Rates Bylaw #491-16 which council then passed on June 14, 2016.

**Utility Rates
RES 515-16**

UTILITY RATES BYLAW

Moved by Mayor Lee Van Koughnett

"That the Utility Rates Bylaw be amended to reflect a change by increasing the Water rate by \$5.00 and the Land Fill Fee by \$3.00. The change is to become effective July 1, 2016.

CARRIED

Council considered further changes to utility rates during the August 15, 2017 regular council meeting and the inspector noted that CAO Komaransky provided accurate guidance to council that any changes to utility rates would need to be done by bylaw.

Hughenden's Fire Services Bylaw 467-08 should be updated to ensure appropriateness of content and fees. The fire chief was also noted to request that council update the fire bylaw. The bylaw states that the fire chief will be appointed by council at each annual organizational meeting and that the fire chief will appoint other department officers and members. In contrast, the fire chief indicated that all officers are elected at the annual general meeting of the Hughenden Fire Fighters Association. Fire department officer positions remained consistent for the past several years.

No local bylaw was passed related to the Hughenden's regional committee involvement in the West End Fire department within the Municipal District of Provost #52.

3.11 Policies

Policies are passed by a resolution of council to impose a duty or standard practice in accordance with the MGA s. 5. Hughenden accessed professional assistance to develop a fairly comprehensive suite of municipal policies. Officials used MSI grant funding to purchase the policy toolkit at the March 17, 2015 regular council meeting as shown below:

**InterActions HR
Solutions
M.B. # 15/400**

Moved by Deputy Mayor Marje Swelin, **THAT** the Village of Hughenden purchase the Standard Organizational Enhancement Toolkit in the amount of \$7,850.00 with the cost to come out of the 2015 MSI Operating grant.

-Carried-

In a sense, the village took a huge leap ahead to draft several basic policies and HR documents at a reasonable cost that were customized for Hughenden, such as shown below:

August 18, 2015

**Public Works and
Utilities Job
Description
M.B. # 15/439**

Moved by Mayor Lee Van Koughnett, **THAT** the Village of Hughenden approve in principal the Public Works and Utilities job description and partial policies and procedures portion of the Policies and Procedures manual. These are to reviewed by the CAO and Public Works and Utilities before final insertion in the manual.

-Carried-

Hughenden officials are commended for the attention given to develop local policies. These policies will require periodic review to ensure adequacy. Additional policies were developed by staff, such as a Purchasing Policy No. 1000 from December 2016. The purchasing policy contains some good information such as requiring impartiality when dealing with suppliers. Overall, it is a fairly lengthy and somewhat unclear document. It contains several “exemptions” and does not reference advertising requirements in the tender and request for proposal sections. The purchasing policy also establishes a \$2,000 purchasing threshold which may not be reasonable:

6.14 In all cases where the acquisition price exceeds two thousand dollars (\$2,000.00) or the term of the contract exceeds (3) years, approval of the award recommendation shall be obtained from Council prior to purchase. For purchases of a value less than two thousand dollars (\$2,000.00), authority shall be established and delegated by the Chief Administrative Officer. All purchases require an authorization by someone with designated authority. Purchase or spending authority must be documented.

6.15 The Village of Hughenden personnel and Council shall maintain impartiality and arm’s length distance in all dealings with potential suppliers of goods and services.

4 ADMINISTRATION

4.1 Chief Administrative Officer

A Chief Administrative Officer (CAO) is responsible for the overall operations of the municipality. The person holding this position is the administrative head of the municipality and works closely with the council to ensure that local objectives are accomplished and that elected officials are advised in writing of their legislative responsibilities. The MGA outlines specific responsibilities of the CAO in s. 207.

Mr. Lawrence Komaransky served as CAO during the municipal inspection and for seven years prior. Mr. Komaransky retired from the CAO position on August 30, 2017. Council recruited Mr. Richard Lavoie to the CAO position and his tenure began on September 1, 2017. All staff and stakeholders were obliging and willing to provide information upon request throughout the inspection process and their cooperation and participation was greatly appreciated by the inspection team.

4.2 Performance of Major Administrative Duties

The MGA s. 208(1) provides specific direction on the performance of administrative duties for a CAO. As the administrative head of the organization, Mr. Lawrence Komaransky appeared to have a fairly good understanding of administrative roles and responsibilities. Mr. Komaransky was observed to provide proper guidance to council during the August 2017 regular council meeting where he informed the council that a bylaw would be needed to amend utility rates.

A review of past agenda packages showed an improved process where staff recommendations to council were used more frequently. A practice was in place to provide a specific 'Request for Decision' on some, though not all agenda items, rather than providing a single 'CAO report' with multiple recommendations and comments, as used in the past. This seemed to reflect internal efforts for continuous improvement.

Residents commented that certain council members were observed spending considerable time at the village office each week, and expressed concern that it may interrupt the CAO's limited work hours.

Council attempted to reduce village expenses by cutting staff work hours, such as shown in the following resolution from January 24, 2017:

RES 595-17 Water revenue and expenditures as well as public works were briefly discussed.

WATER TREATMENT and PUBLIC WORKS

Moved by Mayor Lee Van Koughnett

"THAT the Public Works Foreman work week be reduced to 30 hours a week with any extra hours over 30 required for snow removal, being approved by the CAO prior to being worked and that the WTP/PW assistant be reduced to 15 hours a week with these hours including 6 hours a week at the water treatment plant on weekends and the remainder in public works with 4 hours on Wednesdays assisting with garbage pickup."

CARRIED

RES 596-17

CHIEF ADMINISTRATIVE OFFICER

Moved by Deputy Mayor Marje Swelin

"THAT the Chief Administrative Officer work day be reduced by one hour per day (9-5) and that the salary be adjusted accordingly to reflect the hour's reduction."

CARRIED

Council acted in an improper manner by narrowly focusing on reducing salaries, and failing to consider what services they wanted to reduce in order to coincide with reduced hours. The effect of council's cost-cutting efforts led to staff and public concern for service delivery.

Since the administrative workload was not reduced, CAO Komaransky volunteered many work hours to the village, as he stated that he "*took work home a few nights each week and worked on weekends*" in order to complete regular duties. The public works operator also expressed concern with reduced hours for his position and made a direct request to council at the September 19, 2017 council meeting to return to fulltime hours.

Council was improperly involved in hiring and dismissing all staff members. Council improperly extended their reach beyond the CAO, who is the administrative head of the municipality. The CAO is the only staff member that council should direct and hire, while subordinate staff are to be appointed and managed by the CAO or a direct supervisor.

Hughenden council lacked role clarity and did not understand that council's involvement in staff capacity should be limited to overall budget approval for wages, and policy direction to establish service levels. Beyond budget and policy matters, it is the CAO's responsibility to determine the best use of budget resources in order to accomplish municipal activities and complete service priorities.

Hughenden experienced disorder when council repeatedly reached past the CAO to impact subordinate staff and the CAO appeared to allow this historical practice. As an example, council approved all staff raises and bonuses in November 2016 for the CAO, public works operator, public works assistant, administration assistant, and janitor, and then subsequently rescinded resolution #568-16 in December 2016, as shown below:

WAGES & SALARIES RES 583-16	<u>WAGES, SALARIES & BONUS RES 568-16</u> Moved by Deputy Mayor Marje Swelin "THAT RES 568-16 regarding wages, salaries and bonuses for 2017 be rescinded in its entirety." CARRIED
WAGES & SALARIES RES 584-16	<u>2017 WAGES & SALARIES</u> Moved by Mayor Lee Van Koughnett "THAT 2017 Wages and Salaries be discussed at the January 2017 meeting when dealing with the 2017 Budget." CARRIED
BONUSES RES 585-16	<u>2016 BONUSES</u> Moved by Councillor David Griffith "THAT the Bonuses for 2016 be approved at one half that originally set by RES 568-16. CAO - \$100.00 WTP/PW - \$300.00 WTP/PW Assistant - \$ 75.00 Admin. Assistant - \$ 50.00 Janitorial - \$ 62.50 CARRIED

4.3 CAO Performance Evaluation

The MGA s. 205.1 requires a council to provide the chief administrative officer with an annual written performance evaluation. No performance evaluations of Hughenden's CAO were available for the inspector to review. Council acted in an irregular manner where they did not meet legislative requirements to complete annual CAO performance evaluations in recent years.

5 OPERATIONS

5.1 Public Works

Hughenden's public works staff demonstrated a high level of community pride with particular attention to beautification. A new public works shop was constructed in 2014 after the village acquired the property through a land exchange agreement with a local resident who was also a previous council member. Village equipment appeared organized and secure. Some equipment was fairly old, such as the 1972 garbage truck, and some equipment was new, such as a tractor that could be used for multiple tasks.

The public works operator routinely completed special services for certain residents in need, such as hauling old appliances to a local transfer station.

The village had a plentiful water supply and a water treatment plant facility designed to accommodate demands for future residential and commercial growth. Water meters and conservation efforts were discontinued several years ago since the increased flows apparently improved the operation of both the water treatment facility and the sanitary collection system mains.

Hughenden had one full-time and one part-time water/wastewater operator with appropriate certification to manage village utilities at the time of the municipal inspection. Hughenden received a PASS and overall rating of 85% on the 2017 Alberta Environment Waterworks inspection. The village is commended for this recent accomplishment and improvement from prior years. Additional training allowed the part-time, backup operator to achieve the appropriate certification and this was a key factor in achieving the 2017 Pass.

Department oversight and planning seemed weak with public works operations progressing in a fairly self-directed manner. Strategic priorities for the department were unclear and performance measures were not established. Council directed village resources to periodically complete various capital project work in an attempt to reduce capital project costs, often becoming deeply involved in operations.

Current staff appeared capable to absorb additional department responsibilities from time to time. Staff showed initiative to improve department functions, such as locating and mapping curb stop valves, as referenced in the December 2015 public works report:

- **The current town map of all curb stops needed to be updated and in the spring/summer of 2016, we will be creating a digital and photographic file for all curb stops. In addition we will identifying the ones that need to be repaired and ensure that all others are in good working condition.**

Officials sometimes failed to base decisions on sound planning at times and did not always engage qualified expertise when needed. Examples include the installation of a three-way stop at a four-way intersection and not requiring engineering drawings or testing during construction for a new residential subdivision.

The village has several playgrounds one of which is managed by the village, with the others managed by the local Lions Club or School Division. The village playground was inspected by staff twice per year, although staff did not have certified training as offered through the Canadian Playground Safety Institute.

5.2 Fire Department

Hughenden is served by a local volunteer fire department and also participates in the West Fire District of the surrounding M.D. of Provost No. 52. Hughenden's fire chief was dually appointed to also serve as fire chief for the West Fire District within the M.D. of Provost.

Hughenden council received regular reports, often verbal, from the Hughenden fire department during council meetings. There was no indication that the CAO reviewed, approved or provided oversight on the fire chief's reports to council. Communication appeared to be largely "one way" with council hearing call-out statistics and project requests from the department. Council did not exercise strong leadership to clearly define service level expectations for the local fire department.

There was a strong indication that certain fire department members were quick to take offence and often criticized efforts by council and administration; while at the same time department members gave limited effort to truly advancing their own skills. The capacity of the Hughenden fire department was not as strong as it could be, and several gaps were noted for certified and practical training. Records show that most Hughenden fire department members had not completed basic training and not one department member or officer had completed formal "officer" training. Best practices would ensure that officers complete "officer training" so that they have the knowledge and skills to lead, mentor, command an incident, and maintain proper record keeping.

All fire departments within the M.D. of Provost No. 52 had access to a quality training venue. The Provost Fire & Rescue Training Centre was built to serve the region as a certified facility where local department members could complete the practicum component of training certification. Despite noble regional participation efforts there was no record of the Hughenden fire department or individual members ever participating in training at the nearby Provost training centre. Officials at the training centre indicated that:

"Training is free to all departments and members in the M.D. of Provost, however, Hughenden firefighters have not completed any training at the centre at all. The offer to participate in training at the Provost facility has been extended to the Hughenden fire department on numerous occasions. The reply from the Hughenden department has ranged from no response, to declining the offer, to saying that they don't need the training."

Training centre officials informed the inspector that the Hughenden fire chief was included on all emails sent out to the regional training group. These officials also expressed concern that the West End fire chief would “*call any department except Provost*” if additional fire-fighting resources were needed. Related examples were given where the Provost department was dispatched and then were told to “stand down” while en route to West End fires.

Hughenden’s fire chief, Mr. Brian Cooper informed the inspector that the department doesn’t use the training centre because “*when Provost has courses, we are never notified or invited.*” He also indicated that he was not aware of receiving facility training invitations by email. Chief Cooper indicated a willingness for department members to attend training at the Lakeland Emergency Training Centre in Vermilion, Alberta. Chief Cooper shared an example of weekly fire practice at the Hughenden fire hall on August 16, 2017 with a focus on extrication devices (KEDs) and backboards.

Stronger policy direction is needed from Hughenden council to ensure that local fire department members access the local training centre in Provost in order to advance their skills with formal training certifications to improve personal and public safety while providing core protective services. Without clear policy direction on service level expectations, the local department has proven that just because you build it, they might not come.

Capital improvements were frequently considered by the local fire department, and members pressured council for a multitude of project approvals. Over recent years local fire department project requests included fire hall renovations, a new fire hall, land to be donated for a new fire hall, an old fire truck to be refurbished for parades with an onboard BBQ, and a new fire truck.

Capital purchase decisions appeared haphazard at times, such as purchasing a single axle rescue vehicle with a three-person seating capacity when a four or five-member crew is often needed. The BBQ fire truck initiative was not pursued and “*has gone by the wayside*” according to the fire chief.

Equipment lacked colour consistency with the broader region which was described as a “rainbow” of truck colours. Although the colour of equipment does not affect service capacity, uniformity does send a professional visual message of unity and harmony. When asked about the equipment colour choice for the rescue truck, Chief Cooper indicated that “*we liked the colour.*”

Hughenden fire department members were deeply involved in the community and often worked closely with the village public works foreman. For example, Fire Chief Brian Cooper completed periodic mechanical work for village equipment and Firefighter, Curtis Hughes assisted with local garbage collection. Firefighter, Jeff Redekop completed several capital projects for the village through his company, Reliance Energy Services Ltd., which was also the Mayor's employer for part of the council term. In many respects, there was a clear effort between village public works department and the fire department to work collegially together. These officials also spoke with "one voice" with a largely consistent message during individual inspection interviews.

Stakeholders spoke of a rift between the local fire department and the Hughenden council. Records show that council held a special meeting on May 4, 2016 to hear concerns from the department and many topics were discussed, including building maintenance, accessing grants, communication and department membership. An excerpt from the meeting minutes is quoted below. A strong rapport between the Hughenden fire chief and the M.D. of Provost CAO, Mr. Tyler Lawrason was also noted.

"Tyler Lawrason also indicated that communication with Brian [Cooper] was easy and that he talked with Brian almost every day. Tammy Sather indicated that there are times when she feels that there is a lack of appreciation for the volunteer fire department. Brian Cooper indicated that they are in need of new members for the fire department. Short discussion took place trying to convince [Hughenden council members] David Griffith or Lee Van Koughnett to join the fire department. Lee Van Koughnett agreed to join the Hughenden Fire Department. He hoped that this would also help to improve communication between the fire department and council."

The Hughenden Fire Fighter's Association undertook some significant fundraising efforts. For example, the May 4, 2016 special council meeting minutes state that the association raised \$300,000 for a rescue vehicle, as shown below:

The Hughenden Fire Department does not do fundraising as a department but the Hughenden Fire Fighters Association does fund raising and in the past has done a considerable amount of fund raising for various purposes the most recent project being the Rescue Vehicle where they raised \$300,000.00. The Fire Fighters Association has been fund raising for the equipment that is on the Rescue Vehicle as well as many other items.



Figure 8 – Hughenden Fire Department Rescue Vehicle

The fire chief stated that the Fire Fighter’s Association accessed grants to purchase the rescue vehicle in 2008 (2009 delivery) and that \$168,000 came from local fundraising. It is unclear how the public funds and donations are managed by the Association or if any public reporting was provided. The fire chief indicated that a few members had signing authority on the Association’s two bank accounts. These accounts were not affiliated with the Village of Hughenden and had an approximate total balance of \$78,000, according to the fire chief.

Apparent personality conflicts and egos clouded good will among some local officials. For example, after successfully recruiting the mayor to join the fire department, the fire chief dismissed the mayor from the Hughenden fire department in November 2016, referencing the mayor’s apparent dishonourable involvement, and stating that if the mayor questioned the chief’s decision he could bring it up to the Hughenden council or West End Fire Board:

November 17, 2016

Mr. Lee Van Koughnett,

In light of your involvement in recent events, by the authority and responsibility vested in me by Village of Hughenden Fire Bylaw, I am terminating your employment and membership in Hughenden Fire and Rescue so that these events and your involvement in them does not bring discredit or dishonor to the Fire Department or its members.

You may question my decision to the Village of Hughenden Council at the next scheduled meeting on December 20, 2016 or West End Fire Board at their next regular meeting scheduled for November 23, 2016 at 700 pm at the Czar Fire Hall.



Brian Cooper

Fire Chief

Village of Hughenden

On January 27, 2017, the mayor requested and received a written fire permit in a text message format from the fire chief, as shown. After the fire was started, the fire department responded to the property and took precautions to provide safety to neighbouring property. The mayor informed the inspector that: *“The fire truck arrived at about 1:45 a.m. and proceeded to water down the building in question, and then started to apply water to the burning pile of debris, this caused the smoke to hit ground level and drift through the town. The pile was left to smoke and steam the remainder of the night and most of the next day.”*



Appropriate steps appeared to be taken by involved parties to seek permit approval, issue a permit and maintain public safety. Fire department members seemed to act to the best of their ability and training when responding to this fire incident.

Following the mayor's involvement with this fire, the fire chief appeared to use his position to showcase the operational fire incident in an attempt to embarrass the mayor during public council meetings where he presented regular fire department reports to council. For example, the February 21, 2017 council meeting minutes reference the following fire department report with a February 1, 2017 inspection referring to the January 27, 2017 fire incident:

6.1 HUGHENDEN FIRE DEPARTMENT

Fire Chief Brian Cooper gave a written and verbal report to Council. There has been 1 medical call in Amisk, 1 medical call rural, and 1 fire call. There was discussion on the report from Thor Hameister, Environmental Health Officer with Alberta Health Services, his inspection took place on February 1, 2017. Hydrogen Cyanide was detected in the air. The Fire Bylaw for the Village of Hughenden needs to be revamped as several sections are outdated.

RECOMMENDATION FOR FIRE SERVICES: That the Ministry provide guidance to assist community leaders and fire department officials to establish appropriate local service levels for the community; to advance and coordinate local and regional emergency services; and to provide guidance and recommendations for overall capital asset planning.

5.3 Planning and Development

5.3.1 Manufactured Homes

On July 26, 2016 council waived a '15-year age requirement' for a mobile home related to Development Permit 2016-004. This permit was for a development application submitted by the mayor who did not participate in discussion or voting as shown below:

**10.0 NEW BUSINESS
RES 527-16**

10.1 WAIVER OF 15 YEAR AGE REQUIREMENT ON MOBILE HOMES

Mayor Van Koughnett excused himself from the discussion and relinquished the Chair to Deputy Mayor Swelin at 8:05 p.m.

A discussion ensued on the mobile home in question and Development Permit 2016-004.

Moved by Councillor Griffith

"That the 15-year age requirement for mobile homes be waived for Development Permit 2016-004."

CARRIED

The village LUB No. 413 lists manufactured homes as a discretionary use in the Residential district. The LUB does not specifically require mobile homes to be less than 15-years old, but there is a requirement for manufactured homes to have CSA certification, as referenced in section 2.9(1), shown below.

2.9 Manufactured Homes

- (1) **Manufactured homes shall have Canadian Standard Association Certification.**

The staff recommendation on this matter shows that the CAO/Development Officer approved a development permit with the condition that "*The age requirement has been waived.*" The matter was then brought before council because the village had a previous council resolution in place "*that it will not allow trailers or mobile homes to be placed within the village if they are more than 15 years in age.*" This historical resolution did not appear to be consistent with the village's LUB, and no related LUB amendment was in place. Res #527-16 seemed to cause a benefit to the mayor where an exception was made to waive the mobile home age restriction.

Council's involvement in the development approval process was an irregular matter since the area was not a Direct Control District. The Village of Hughenden Development Authority Bylaw #391 states that the Development Authority will consist of one person, appointed by council resolution, as follows:

3.2. The Development Authority shall consist of one (1) person by resolution of the Council, at the annual organizational meeting.

Contrary to Bylaw #391, council appointed themselves as the village Development Authority in recent years (2013-2016) as shown in the organizational meeting minutes, such as shown in the following October 2016 excerpt:

SUBDIVISION APPEAL BOARD- Lee Van Koughnett, Marje Swelin, Dave Griffith

DEVELOPMENT AUTHORITY- Lee Van Koughnett, Marje Swelin, David Griffith

The inspector also noted that council acted in an irregular manner by maintaining dual appointments as both the Development Authority and the Appeal Board (SDAB) members. Quasi-judicial appeal boards, such as the Subdivision and Development Appeal Board require unbiased hearing processes and training.

5.3.2 Safety Codes

Safety Codes matters were brought to the inspector's attention. The village was a longstanding member participating in a Joint Quality Management Plan (QMP) for safety codes accreditation along with the M.D. of Provost and Villages of Amisk and Czar. In October 2015 Hughenden council initiated an application to withdraw from the Joint QMP in order to have a stand alone Uniform QMP, as shown in the following council resolution:

**Alberta Safety Codes
M.B. # 15/452**

Moved by Deputy Mayor Marje Swelin, THAT the Village of Hughenden make application to Alberta Safety Codes for accreditation of the village's own stand alone Uniform Quality Management Plan and that the plan be administered by the village and that the Village of Hughenden withdraw from the joint agreement.
CARRIED

Village council had the governance authority to make this decision, and safety codes accreditation changes took effect in April 2016. A subsequent change included the appointment

of Mr. Barry Johnstone, Fire Chief for the Town of Provost, to have designated powers under the *Safety Codes Act* as a safety codes officer for Fire within the Village of Hughenden. The previous Fire safety codes officer was Mr. Brian Cooper, Fire Chief for the Village of Hughenden.

The catalyst for safety codes changes seemed to stem from a September 4, 2015 fire safety codes inspection completed by Mr. Cooper at a local business. Officials expressed concern that Mr. Cooper appeared to single out this particular established business that had been operating for several years. Mr. Cooper indicated that he was following up on a complaint received. Mr. Cooper highlighted this matter during his September 15, 2015 report to council in a public meeting, as follows:

**Delegation
Fire Chief Brian
Cooper**

Fire Chief Brian Cooper was in attendance at 7:10 p.m. Discussion followed on the M2 Dance Studio not meeting the Alberta Safety Codes or complying with the Land Use Bylaw of the village. A fire inspection was done and the building doesn't meet the fire code. M2 has to comply and make changes to meet the fire code. A development permit should be issued when a building changes its use. It hasn't been determined whether this was done when the building changed to a dance studio 10 years ago. The building went through various changes from a gym to video store to a dance studio.
Fire Chief Brian Cooper left the council chambers at 7:25 pm.

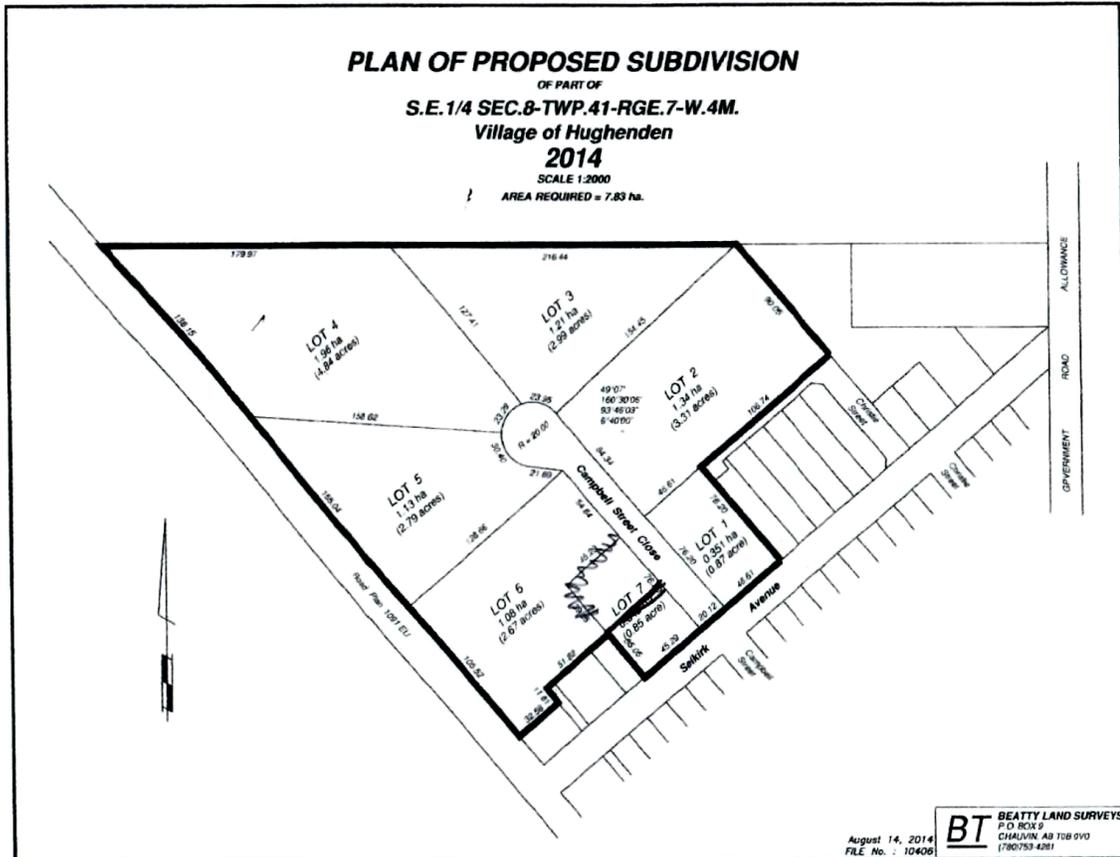
These business owners brought their concerns to village administration and council and a detailed summary of events and correspondence was included in the October 2015 council agenda package. Correspondence shows that the business owners received conflicting messages when they sought clarification from various officials involved and that they felt threatened with the possibility of receiving a Stop Work order. Some stakeholders expressed concern that the initial "complaint" appeared to be rooted in malice with the intent to use an enforcement process as "weaponization" following a petty personal dispute.

The Hughenden fire chief expressed concern with council's apparent interference with a safety codes enforcement action. The dance studio had operated at that location for several years and the building was formerly used as a local store. At the time of purchase the new owners were not made aware of any requirement for a development permit to approve the change of use.

Further, it did not appear that a site inspection was completed by a designated officer for the village as part of a development approval process. Greater communication, education and training is needed to ensure that officials manage and monitor the development and control of land use and safety code compliance within the village.

5.3.3 Subdivision Development

A new subdivision known as Legacy Estates, was approved and built on the west side of the village. Construction began in 2015. The subdivision offered large residential lots which contrasted from the typical residential lots in the community, as shown below:



Council approved the subdivision on April 21, 2015:

**Subdivision MPS
15-Q-237 (Mackie)
M.B. # 15/405**

Moved by Deputy Mayor Marje Swelin, **THAT** the Village of Hughenden approve MPS Subdivision 15-Q-237 (Mackie Subdivision).

-Carried-

The village engaged professional planning services to assist with the subdivision approval process. On June 23, 2015, council appointed a Subdivision Authority for the village and gave the subdivision conditional approval:

**Appoint
Subdivision
Authority
M.B. # 15/423**

Moved by Deputy Mayor Marje Swelin, **THAT** the Village of Hughenden appoint Jane Dauphinee as the Subdivision Authority for the Village of Hughenden.

-Carried-

**Subdivision
Approval**

The conditional approval of Subdivision 15-Q-237 by the Municipal Planning Services was accepted as information.

There is no indication of a pre-approval site inspection by the Subdivision Approving Authority to confirm the suitability of the subject parcel for residential subdivision use. Village officials acted in an irregular manner where they failed to require specific environmental engineering expertise to properly consider site drainage needs. The village LUB was amended to accommodate a new “RL” Residential Large Lot district. A May 13, 2015 public hearing was held and Bylaw 484-15 was passed on May 19, 2015:

**Bylaw 484-15 LUB
M.B. # 15/416**

Moved by Cllr. David Griffith, **THAT** Bylaw 484-15 a bylaw to amend the Land Use Bylaw be given Third reading and finally passed.

-Carried-

A related development agreement was prepared by administration. Staff appeared to give their best in-house effort rather than engaging legal and engineering advice in order to save upfront costs in preparing this development agreement. This agreement covers some basic items but also contains several omissions and there does not appear to be any requirement for the developer to use professional services of an engineer.

Overall, the development agreement did not comply with best practice, and did not appear to adequately protect the municipality from potential risk and loss. It appeared that council became self-appointed subject matter experts and acted in an improvident manner where they took undue risk and bypassed qualified engineering expertise for this important project. The following comments were noted in the July 28, 2015 council meeting minutes:

**Development
Agreement Mackie
Subdivision**

Discussion ensued on the development Agreement for the Mackie Subdivision. Council was in agreement that the Village should not require engineered drawings, but the village should set the materials and specifications for the water and sewer main. The village should specify that the sewer main has to be a gravity flow sewer main. CAO is to look into what the standards are for Blue Brute water main and the use of pvc pipe for services.

6 FINANCE

6.1 Budget Process

Administration prepared separate operating and capital budgets for 2017, which was an improved practice. The budget process for prior years contained a mix of operating and capital items, rather than approving separate operating and capital budgets. This past irregular matter did not fully comply with the MGA (s. 242 and s. 245), which requires a separate and specific budget for “operating” as well as “capital” purposes.

Despite having a separate budget document for operating and capital purposes, council only passed one general resolution to approve the 2017 budget on May 23, 2017, as shown below:

**10.1 2017 BUDGET
RES 618-17**

2017 BUDGET

A discussion ensued regarding the 2017 Budget.

Moved by Deputy Mayor Marje Swelin

“THAT Council approve the 2017 Budget as presented.”

CARRIED

Council also approved an “interim” budget for 2017 at the December 21, 2016 regular council meeting, as shown below. This interim operating budget complies with the MGA s. 242(2) and provides officials with the authority to spend money prior to finalizing and approving the budget for the upcoming year.

**10.0 2017 INTERIM
BUDGET
RES 576-16**

10.1 2017 INTERIM BUDGET

Moved by Deputy Mayor Marje Swelin

“THAT Council adopt the 2016 Budget as the Interim Budget for 2017.”

CARRIED

Council carries the responsibility to determine local service priorities; to ensure that sufficient financial resources are allocated in annual budgets to accomplish strategic objectives; and to “*maintain a safe and viable community*” (MGA s 3). Annual budgets communicate the financial terms of a council’s service level commitments to municipal activities.

Draft budget records show that CAO Komaransky proposed modest tax increases in past years, however, council was determined to hold the line on taxes and did not approve meaningful periodic tax increases. The CAO report from December 2016 describes a heightened level of financial concern, where he states: “*We are in dire times and our position calls for drastic measures.*” After three years of periodic deficits, council approved the 2017 operating and capital budgets resulting in an approximate 20% tax increase.

Residents seemed to be reasonably satisfied with the level of services provided as shown in the following 22 inspection survey responses:

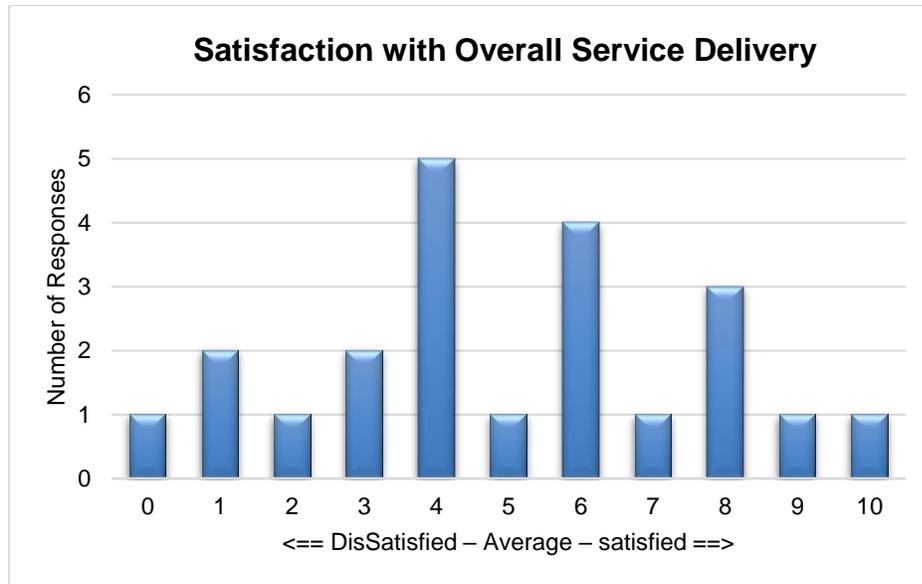


Figure 9 - Service Delivery Satisfaction

A sample of stakeholder comments related to service delivery satisfaction include:

- *For the size of village and the number of taxpayers there is a good amount of recreation facilities.*
- *Most of my satisfaction is with the services received in co-operation with the MD of Provost (rec/protective services).*
- *Taxes and sewage/water/waste removal services are very expensive for a community with so few amenities.*
- *Our town worker Mark is amazing he services the town very well-vast improvement in water quality and the care of lawns flowers garbage is great! Then council not long after the finances started to get questioned cut his hours. We almost lost him completely.*
- *Our public works has improved in the past few years with the dedication of Mark Wight. Administration under Lawrence seems to be spinning plates, keeping [up with] the ratepayers, council and daily administrative duties. Our protective services-you get what you pay for. Recreation-limited.*
- *The present administrator is very pleasant to deal with on any matters that concerned me. Our family is happy with public works. Protective services and Recreation provided in town. Thumbs up to Fire and Rescue, we are blessed to have them. RCMP are a distance away but do respond and take action.*
- *For the most part the services are great, there is a few options for recreation, the admin seems to keep up well. Public works is alright but unfortunately some people seem to get special privileges, for example: their sidewalks get shoveled by the public works but others do not.*

6.2 Property Assessment and Tax Rates

Some minor calculation errors were noted in past property tax bylaws. The title used for annual property tax bylaws was a “Rates of Taxation” bylaw which is different from the MGA wording. Council acted improperly by attempting to reduce minimum taxes by grouping land parcels, rather than approving a tax cancellation. A November 15, 2016 council resolution is shown below:

9.0 OLD BUSINESS RES 560-16

9.1 PROPERTY TAX REQUEST LEGACY ESTATES Moved by David Griffith

“That Council confirm the previous decision whereby all the unsold parcels in Legacy Estates would be treated as (1) one parcel in regards the Minimum Municipal Tax for the 2017 tax year. Village Council can review this in November of 2017 for 2018 and future years.”

CARRIED

The inspection included a comparative analysis of 2016 property assessment and tax rates. This analysis of tax comparisons is restricted to municipal tax rates and does not include the education tax rates or seniors lodge tax rates. The term ‘mills’ is used in the comparison table. A ‘mill rate’ is another way of expressing a tax rate per \$1,000 of assessment and is often used for ease of presentation.

Hughenden had lower than average residential and non-residential tax rates among the communities in the comparison group as shown in the following table:

Tax and Assessment Comparison

(sorted by residential tax rate, lowest to highest)

Name of Municipality, Village of:	Pop.	No. of Dwelling Units	Residential Muni Tax Rate (mills)	Non-Res. Muni Tax Rate (mills)	Equalized Assessment	EA per capita
Waskatenau	255	192	6.8500	14.4980	\$ 18,538,758	\$ 72,701
Donalda	259	153	10.1180	14.9488	\$ 13,152,307	\$ 50,781
Morrin	245	137	10.4500	10.4500	\$ 17,139,058	\$ 69,955
Hughenden	258	124	10.6996	10.6996	\$ 11,744,022	\$ 45,519
Carmangay	262	140	11.3570	11.3570	\$ 19,539,909	\$ 74,580
Veteran	249	133	11.4870	26.1570	\$ 11,663,611	\$ 46,842
Girouxville	266	147	17.2230	17.2230	\$ 13,262,430	\$ 49,859
Averages	256	147	11.1692	15.0476	\$ 15,005,728	\$ 58,605

Figure 10 - Tax and Assessment Comparison Table

Hughenden had the lowest equalized assessment in the comparison group per capita as shown in the chart below:

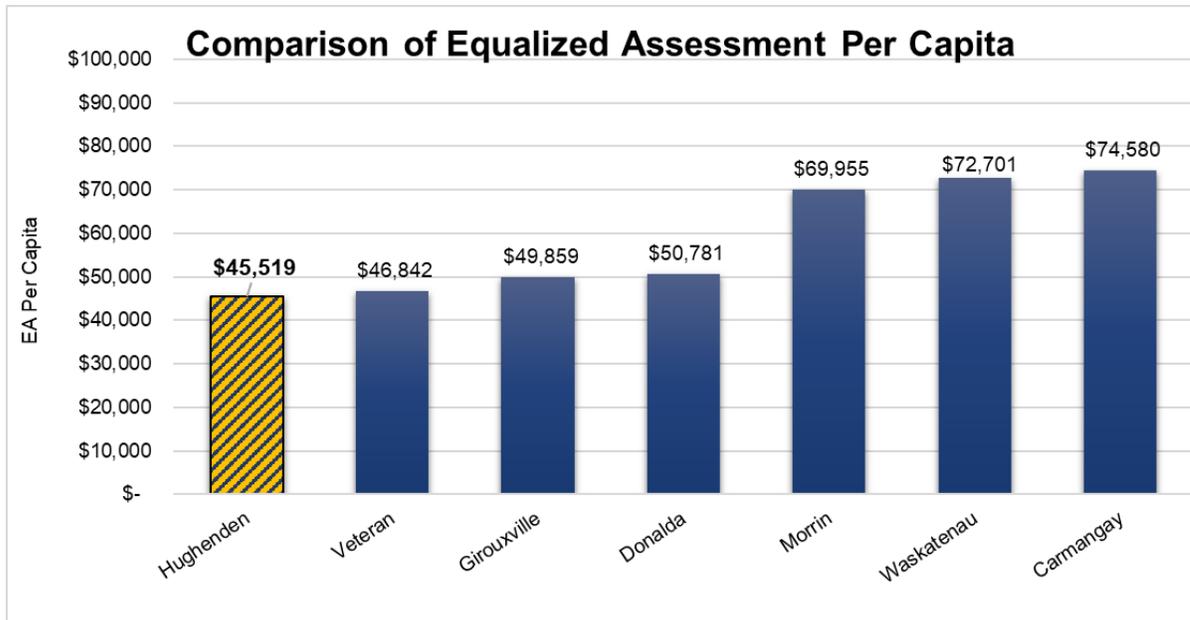


Figure 11 - Equalized Assessment Per Capita

6.3 Financial Reporting to Council

The MGA s. 208(k) requires the CAO to collect and deposit revenues, keep accurate financial records and, among many other things to ensure that actual revenues and expenditures are compared to budget and reported to council. The MGA specifies that this financial reporting be provided to council as often as council directs. Financial reports to council should show sufficient departmental activity to provide enough information to understand the financial results of municipal operations. Council members should receive training on how to read and interpret financial statements at the beginning of each term.

Hughenden council did not provide formal direction by policy or resolution to specify the frequency of financial reporting to council in accordance with the MGA s. 208(k). Despite a lack of direction, recent council meeting agendas show that council received proper revenue and expense reports with a comparison to budget in accordance with the MGA requirements.

Some past agendas show that council received only the monthly bank reconciliation and cheque listing as financial reports. This level of financial reporting to council does not align with best practices since council's financial focus should remain at a higher level, with big picture budget comparisons rather than the cheque details.

Council seemed reluctant to heed financial warnings from their CAO. The July 28, 2015 CAO report to council shows a concern with low funds available to cover accounts payable:

Now I am anxiously waiting for the taxes to start coming in and the FGTF money to come as the bank account has been almost drained. If I was to pay all the accounts payable then we wouldn't have enough to cover them.

The following borrowing bylaws were used to access funds and cover cash flow shortages:

- \$75,000 short-term Borrowing Bylaw No. 488-16, passed by council in January 2016.
- \$60,000 short-term Borrowing Bylaw No. 488-16, passed by council in May 2016.
- \$100,000 operating line of credit, established through Borrowing Bylaw No. 494-16 in December 2016.

Most of the short-term borrowing had been repaid by the end of 2016, with \$43,509 remaining.

The lack of council orientation and professional development likely contributed to council's lack of oversight and overly optimistic decisions to advance projects without confirming available funding. For example, after a very expensive 2015 year, council approved a restroom project on April 19, 2016. Staff confirmed that the restroom project was never completed and was "on hold" at the time of the municipal inspection. The related council Res. #504-16 contains excessive facility details but is silent on any reference to the project cost or how the project would be funded:

10.7
RES 504-16

REST ROOM PROJECT
Moved by Deputy Mayor Swelin

"That the Village of Hughenden proceed with the construction of the Rest Room adjacent to the lift station at the end of McKenzie Avenue with the rest room being attached to the lift station and be 8 feet 8 inches wide by 16 feet long, restroom to include shower, toilet, urinal, baby change table, security camera and constructed on a engineered slab and footings with some of the work done by village personnel."

CARRIED

Council also purchased two parcels of land for \$20,000 after submitting a bid as referenced in the April 19, 2016 meeting minutes:

9.1
RES 499-16

TENDER SUBMISSION FOR SHEEN PROPERTY

Moved by Deputy Mayor Swelin

"That the Village of Hughenden proceed with the previous resolution and submit a bid of \$20,000.00 for the two parcels within the Village of Hughenden."

CARRIED

The village did not have sufficient funds to purchase the "Sheen" lands and in October 2016 council passed a related \$20,000 Borrowing Bylaw No. 492-16 with a five-year term in order to complete the purchase:



BY-LAW 492-16 | 2016

**BYLAW NO. 492-16
OF THE VILLAGE OF HUGHENDEN**

(hereinafter referred to as "the Municipality")

IN THE PROVINCE OF ALBERTA

This bylaw authorizes the Council of the Municipality to incur indebtedness by the issuance of debenture(s) in the amount of \$20,000.00 for the purpose of purchasing land.

The inspector noted that council authorized a portion of the "Sheen" property to be sold to the mayor at the July 26, 2016 meeting, as shown in Res. #528-16:

**13.0 LAND SALE
RES 528-16**

13.1 LAND SALE 100feet by 165 feet ADJACENT to S1/2 LOT 2, BLOCK 8, PLAN 3278HW

Moved by Councillor Griffith

"That the Village of Hughenden sell 100 feet by 165 feet adjacent to the south boundary of Lot 2, Block 8, Plan 3278HW to Lee Van Koughnett for \$2,000.00 with the purchaser to be responsible for the disposal of the sheds and derelict buildings." **CARRIED**

Deputy Mayor Swelin turned the Chair over to Mayor Van Koughnett at 8:15 p.m.

It did not appear that council complied with a proper process to advertise and consider fair market value prior to authorizing the sale of this land. Officials informed the inspector that the land sale to the mayor did not occur and that the property was not subdivided at the time of the inspection, although the subdivision process and costs were explored. The current intention of the parties appears to have changed, however, the council motion was not rescinded. Records also show that the local fire department expressed interest in using the derelict buildings on this property for fire practice.

6.4 Procurement Practices

The MGA s. 248 provides direction for the municipality to make expenditures that are either in the budget, for emergencies, or legally required to be paid. Municipalities are subject to tender advertising requirements through the Alberta Purchasing Connection, the Agreement on Internal Trade (AIT) and the New West Partnership Trade Agreement (NWPTA). Municipalities need to abide by government procurement rules related to threshold values of goods, services and construction.

Hughenden council approved Purchasing Policy No. 1000 on December 21, 2016, as follows:

**11.0 POLICIES
RES 577-16**

**11.1 PURCHASING POLICY No. 1000
Moved by Mayor Lee Van Koughnett**

"THAT Council-1493il approve Policy No. 1000 Purchasing Policy and that the policy be inserted in the Administration Policies and Procedures Binder."

CARRIED

In February 2017 officials appeared mindful of the need to follow a proper tendering process:

**Village of Hughenden
Regular Council Meeting**

February 21, 2017

9.2 MSI CAPITAL PROJECT SUGGESTIONS

Discussion ensued on the capital project suggestions. A comment was made that any projects undertaken use proper tendering process.

In June 2017, council reviewed competitive project bids, but they acted in an improper manner by opening the bids and accepting a bid at the same meeting, as shown below:

**10.6 BIDS PROJECTS
RES 621-17**

10.6 BIDS FOR REFUSE PILE REMOVAL & LAND RECLAMATION

Bids regarding Project 2017-001-VOH Refuse Pile Removal and 2017-002-VOH Sign Land Reclamation were opened in Council meeting.

Stephen Large Trucking:

2017-001-VOH	\$15,500.00
2017-002-VOH	\$5,775.00

Reliance Energy Services Ltd.

2017-001-VOH	\$4,600.00
2017-002-VOH	\$4,600.00

Moved by Mayor Lee Van Koughnett

"THAT Council accept the bid of Reliance Energy Services Ltd. In the amount of &9,200.00 plus GST for both projects.

CARRIED

Best practice would require administration to review the bids for accuracy, confirm the eligibility of the contractors, and check for appropriate documents such as bonding, insurance, and then prepare a recommendation for council to consider before awarding a contract.

Prior to 2017, a fairly casual approach was taken for procurement and this casual approach is consistent with a lack of overall capital planning. For example, the August 2015 CAO report to council references potential projects and that a project quote was requested, as shown in the following excerpt:

We have received the FGTF Grant for 2014 \$50,000.00. We have also received correspondence from Municipal Affairs that the MSI Capital and Operating Grants have been approved for 2015. I still have not submitted any projects. I have however, asked Allied Paving to give me a quote on what it would cost to chew up the cold mix on Rydberg from the school to the village boundary and repave it. As part of this project I would like to see the bank from the Simpson Avenue Corner to McKenzie and Rydberg corner cut back and Rydberg widened to provide for parking without the narrowing that currently occurs. The area could also be made more attractive by the placement of a block retaining wall similar to the one at the end of McKenzie (Devonian Park). A couple places where steps could be placed would also help. If there are any suggestions I welcome them. Also I seriously would like something done with some of the sidewalks?

Officials acted in an irregular manner on several occasions where projects were completed without proper authorization or a competitive bid process. Records show that \$43,900 was paid to the mayor's company, VK Trenching for various 2015-2016 public works projects. Related project invoices were submitted and paid, however, there was no record of competitive bids received or council resolutions to specifically authorize the related projects.

Mayor Van Koughnett acknowledged that *“competitive bids were not submitted, and in hindsight this was a mistake.”* The mayor indicated that his intent was to save the village money and that *“so much work was done for \$30,000, there is no way that the work could have been done where the village had a better deal.”* The mayor commented that various work was completed on fire hydrants, water valves, and sewer repairs; and that the project scope increased at times with some emergency repairs required after village staff broke valves when they used a snipe and accidentally overtightened four water valves. Mayor Van Koughnett stated that: *“My level of dedication is and remains very high to the village. I don't feel for a minute that I took advantage of my position.”*

Public works reports to council frequently commend Mayor Lee Van Koughnett for the work completed for the village, such as shown in the excerpt from August 2015:

Town

- **Garbage truck doing well**
- **Water valve, hydrant repairs, curb stop repairs and sewer repairs are nearing completion. Lee and his crew are doing a fantastic job with these installations and repairs.**

And from September 2015:

Town

- **Sidewalk work by Lee and the crew looks very good, many compliments from town residents. Also the new slope on Rydberg is shaping up to look very good.**

Bids and invoices were provided for a 2016 paving project, but the overall process did not align with organized competitive procurement practices. A contractor rate list was compiled in 2015, to summarize available local contractors, however, more formal municipal procurement practices are also needed. Various projects were loosely discussed during the October 20, 2015 council meeting without specific council resolutions, or direction to engage qualified expert advice:

RV Park & Storage	The RV Park & Storage will not have a sewage dump station or water hydrant as one already exists as the lift station. Mayor Lee Van Koughnett has indicated he will move the trees in the area. Phoenix Fence is to proceed with the fence around the area and two gates. Public Works to see if Fortis Alberta can move the guy wires.
Public Restroom	Public Restroom proposed is 12 feet by 12 feet at the end of McKenzie Avenue next to the lift station. Building should be wood frame metal siding and contain a looney shower, vanity, toilet and child change table. CAO to check with Pinnacle Construction for a quote.
Rydberg Street Widening Project	The cutting back of the slope has been accomplished and the area should be grassed as the least costly option. A curb should be in place before re-paving of Rydberg Street.

Various quotes were acquired, such as for decorative rockwork, water valves, and chain link fencing. Obtaining only a single quote for projects was a common practice, such as shown in the following excerpt from the March 17, 2015 meeting minutes:

Chain Link Fence PW Shop	The quotes for the chain link fence were discussed. Administration was asked to get a quote that would also cover the Water Treatment Plant area. Both projects to come out of the GTF Program.
---------------------------------	---

Projects were sometimes approved with haste, prior to confirming costs and funding sources which are needed as part of a well-informed decision-making process. For example, an recreational vehicle (RV) storage area project was approved by council on August 18, 2015 without confirming costs in advance:

**Lots 1&2, Block 13,
Plan 8721664
M.B. # 15/437**

Moved by Deputy Mayor Marje Swelin, **THAT** the Village of Hughenden proceed with development of Lots 1&2, Block 13, Plan 8721664 into a RV storage area and that the CAO proceed with securing prices for fencing and gravel.

-Carried-

Cost estimates or quotes for the RV storage site work were not available, however, council accepted related fencing quotes such as the following resolution from May 17, 2016:

village of hughenden
Regular Meeting
May 17, 2016

**10.2 RV Storage Fence
RES 509-16**

RV STORAGE PARK FENCING QUOTE

Moved by Ctr. Griffith

"That Council accept the quote from Infinity Fence Inc. in the amount of \$7,690.34 GST included for the supply and install of the remainder of the fencing for the RV Storage park."

CARRIED

Officials stated that they "*jumped the gun*" on this RV storage area project since the project was subsequently not eligible for grant funding as initially anticipated. After construction, the village resubmitted the project as a public works storage yard adjacent to the water treatment plant, which was eventually approved for grant funding. At the time of the municipal inspection, the site contained signage as a commercial RV storage site

When work is performed on public property, whether by volunteers or contracted services, the community at large bears a risk. Officials acted in an improper manner by failing to confirm that companies and contractors held proper commercial general liability insurance and WCB coverage while completing work for the village. The municipality lacked professional oversight, leaving all quality control up to the contractor

RECOMMENDATION FOR PROCUREMENT PRACTICES: That the Minister establish oversight and guidance for the municipality's procurement practices to ensure consistency with the MGA, applicable trade agreements and other legislation.

6.5 Overall Financial Position and Deficit Recovery

On the positive side, the village has a relatively low debt ratio, with long term debt totaling \$63,509 as recorded in the 2016 annual financial statement. Total tangible capital assets in the village are valued at approximately \$3,450,000.

Financial statements show that the Village of Hughenden has a	Year	Deficit
significantly weak financial condition for overall operations. Village	2016	-\$74,675
projects and departmental expenses have exceeded overall revenues	2015	-\$55,950
for 2013-2016 resulting in consecutive decreases in the village's	2014	-\$48,003
unrestricted surplus, as shown to the right:	2013	-\$30,629
	Total	-\$209,257

In an attempt to absorb this financial impact, council transferred \$88,594 from village reserves in 2015. This depleted all unrestricted village reserves in all departments. At the end of 2016, the village of Hughenden deficit totalled (\$115,770), according to the 2016 annual financial statement prepared by the village auditor.

The village CAO prepared a three-year "Deficit Recovery Plan" as requested by the Minister of Municipal Affairs to correct the village's financial situation. The deficit recovery plan shows the intention to recover most of the financial deficit by raising taxes to generate nearly \$30,000 extra in each of the next three years. One council member commented that *"we have dug ourselves a bit of a hole, but are doing better now, with a plan to move forward."*

Officials are commended for preparing and approving a deficit recovery plan and for taking some steps towards stronger financial health. The 2017 budget included a \$29,613 surplus as part of the deficit recovery plan. This reflected an approximate 20% tax increase. The overall size of the \$115,770 deficit is significant for Hughenden. To put it in perspective, the total amount levied for municipal taxes in 2016 was \$145,320. Therefore, the deficit is equivalent to 80% of an entire year's worth of general municipal taxes in the Village of Hughenden.

Village officials provided the inspector with a status update as of September 30, 2017 which showed that village finances appeared to be in line with the recovery plan efforts. The inspector requested a draft financial projection for December 31, 2017 to determine if the village was expected to remain on a good financial path forward to year end in accordance with the deficit recovery plan. Based on preliminary numbers provided and a general financial review, the inspector is of the opinion that the village will struggle to achieve the deficit recovery plan goals.

Officials tried to reduce expenses for 2017, mostly by reducing staff wages and paid hours. This approach may not be realistic, largely due to the recent staff turnover in the CAO position, where some overlap and onsite training was needed. Financial records show that expenses exceeded the annual budget primarily in contracted services, materials/supplies and salaries in recent years, which all contributed to the deficit. In addition, council's short-term generous mindset led them to reduce utility costs and minimum taxes for certain properties upon request.

Past utility rates did not cover the full cost of providing the services and were previously subsidized by taxation. Council increased utility charges in 2017 to closer reflect the operating costs of providing the utility services.

Besides overspending, council did not capitalize on every revenue opportunity. For example, at the September 19, 2017 council meeting, the CAO presented options for the Fortis Alberta 'municipal franchise fee rider' with a recommendation to increase the existing 5% franchise fee rate. Council chose to keep the fee at 5% and noted that ratepayers had already been hit with a tax increase in 2017. Council acted within their authority on this matter to govern as they see fit, however, when a community is facing financial concerns, there are strong reasons to engage revenue options when they are available.

The past decisions and activities of the council show that they acted in a financially improvident manner. Officials failed to live within their means as a small village with a limited tax base. Spendthrift actions of officials caused a financial hardship for village ratepayers as a whole, which will take several years to recover from.

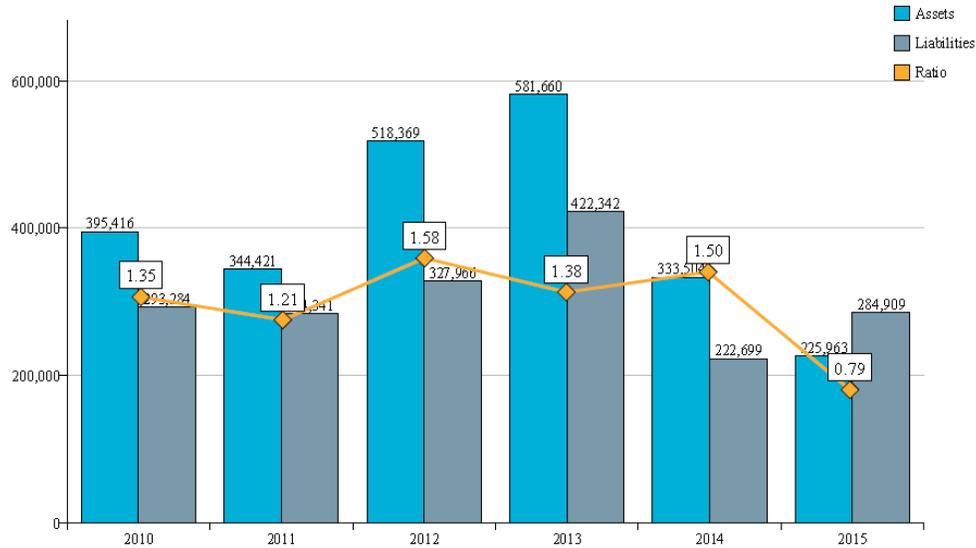
Officials held a longstanding prerogative to keep taxes low, rather than exercising prudent planning for future needs by raising taxes a reasonable amount to ensure that revenues cover expenses. When urgent and discretionary projects were completed over the last few years, Hughenden had the misfortune of winning the "race to the bottom" by depleting cash and reserves by the end of 2015.

A viability screening was completed by Alberta Municipal Affairs in March 2017, which showed that Hughenden triggered some key measures and identified a cash flow problem. A detailed viability review is warranted for the Village of Hughenden.

The following chart shows a financial trend from 2010-2015 with the ratio of current assets to liabilities significantly dropping to 0.79:1.00 in the 2015 year:

Financial Indicator Graphs
HUGHENDEN

Ratio of Current Assets to Liabilities



Note: The current ratio calculation measures ability to meet short-term obligations with existing liquid assets. "Current Assets" are those which are liquid in nature (cash or an asset which can be easily converted to cash). Inventory is excluded from the calculation. "Current Liabilities" are generally obligations coming due within the next fiscal year. The ratio is shown in the centre of the column. A ratio greater than one indicates the degree to which current assets exceed current liabilities; a ratio smaller

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Local stakeholders were invited to rate and comment on the municipality's overall financial condition. Most respondents felt that the Village of Hughenden was in a weak financial position, as shown below:

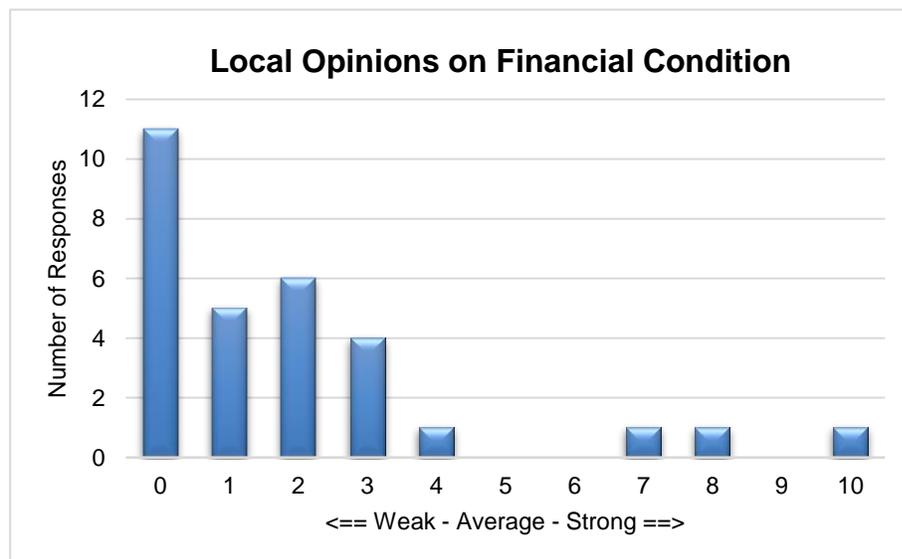


Figure 12 - Local Opinions on Financial Condition

Stakeholders provided various comments on the village's financial position, showing great concern overall:

- *Taxes and sewage/water/waste removal services are very expensive for a community with so few amenities.*
- *It seems there has been some poor planning leading to the high debt situation the town is in.*
- *The village is in Financial disaster.*
- *There was no need to go in the hole for the recent projects.*
- *Very poor communication of how village finances are.*
- *As a ratepayer, I was dismayed to see my property taxes increase by about 30 percent in one year, never mind the fact that they were suddenly due 2 months earlier than normal. Our taxes jumped from \$3100 to just over \$4000.*
- *I am wondering if Administration and Council are accessing the grants that are available. It seems as though the other two geographically close Villages are not as financially strapped as we are. We also are way behind in paved streets in comparison.*
- *My taxes were increased by \$700 to put them at \$4300 for the year. Considering the services I receive for this amount it seems astronomical. I understand the issues faced by a small tax base, but it seems to have been exacerbated by poor management of village funds that put us into the debt that the citizens are being asked to make up in short order.*
- *We think as tax payers in Hughenden that we have the right to know where all this money has been spent or wasted.*
- *An RV storage area was built on the edge of town and is not used to a great extent. If funds were tight, this project could have been postponed or cancelled.*
- *When the taxpayers find themselves in a 3 year debt-recovery situation with not much to show for it, I question council's ability to manage the finances of the village.*
- *The Village of Hughenden is BROKE. I cannot see how they can continue running the Village. Borrowing money for deficits is not a good practice.*
- *It came as a shock to me and my family that our taxes were increased to make up for a deficit that we felt was a result of poor planning.*
- *I have been advised that the town is broke as they were using tax \$\$ to offset utilities, therefore taxes had to be raised. Like I said before, some people on council can hinder the improvement and overall benefit for the town.*
- *We live in a small village and they have put us into a deficit that we as tax payers are now struggling to pay back.*
- *The Village financially is bankrupt. There are no financial reserves left and the Village is \$89,000 in the red. This council started off with reserves in the bank but they all disappeared in 2015.*

- *After a 25% increase in my taxes over last year and a guarantee of the same and possibly more for next year during tough economic times, I am ready to sell my house and leave Hughenden.*
- *Because my utility bill went up significantly recently, I think the financial condition may not be very good. It appears that money has been spent quite freely in recent years.*
- *Our town's streets are in good repair, and I certainly appreciate that it takes taxpayer dollars to make these projects happen.*

FINANCIAL RECOMMENDATION: That the Minister establish the 2018 budget for the Village of Hughenden, in accordance with the MGA s. 244(3) and maintain financial oversight until the deficit is corrected.

7 CONCLUSION

The Village of Hughenden is suffering from financial hardship and will need to remain in “recovery mode” for the upcoming council term in order to remain viable. Ministry assistance and oversight will be needed to help local officials to succeed and to ensure that the citizens of Hughenden have the local leadership that they need and deserve.

A municipal inspection requires a far-reaching, critical evaluation of governance, administration and operations within the community. Following a rigorous review by the inspection team, the inspector determined that the Village of Hughenden has been managed in an irregular, improper, and improvident manner.

Particular areas of concern were noted in the areas of finance, capital planning, procurement, land use planning and fire services. Related recommendations are provided for the Minister’s consideration.

Officials have approved a deficit recovery plan as a financial path forward. Though recent years have been expensive for the village, there is a somewhat less-visible benefit for the village from several underground infrastructure projects completed.

The report also identifies many strengths and positive aspects for the community such as strong beautification efforts, dedicated staff, and an enviable number of amenities for a small community.

Public service leadership is a difficult job. Although a lot of slippage occurred in the recent council term no public official does everything wrong, and many good works were also accomplished. Hughenden council members commented that they *“may not have done everything right during the recent term, but if mistakes were made, they were honest missteps.”*