



Municipal Service Delivery Improvement Program

MNP Consulting Services

Prepared for **Manitoba Municipal Relations**

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SUITE 1200, 242 HARGRAVE STREET, WINNIPEG, MB, R3C 0T8

T. 204.775.4531 F: 204.783.8329 **MNP.ca**



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Executive Summary

The Municipality of Bifrost-Riverton (MBR) has requested a value-for-money service delivery review of its administration's financial functions, policies, processes, and practices through the Municipal Service Delivery Improvement Program (MSDIP) provided by Manitoba Municipal Relations. The objectives of this review include:

- To conduct an objective review of the Corporation's fiscal policies, processes and practices related to financial planning, operational and capital budgeting, forecasting, reserving, fee establishment, collection, and reporting;
- To identify the current state, strengths, gaps and required improvements and document each in a practical, comprehensive report;
- To develop recommendations for change in the governance, policies, processes, and practices related to the finance function; and
- To identify potential opportunities for additional and/or alternative sources of revenue.

A consultation process was undertaken that included discussions between the review team and members of Council and the Administration, including the CAO and ACAO. The discussions identified perceived strengths in an efficient organizational process, operational performance, strategic vision, and recent infrastructure improvements. Multiple challenges were also identified, which were categorized under the following categories:

- Post-amalgamation fallout and relationship with Arborg
- Governance and relationship challenges
- Cash management and budget adherence
- Administrative inefficiencies
- Recreational facility operations and
- Stalled government support.

The challenges identified through the consultation process guided the areas of focus for the review, including a review of governance, departments and committees, financial statements, budgeting processes, administrative processes, and revenue sources.

Governance

MBR's existing organizational structure is not conducive to proper fiscal management. There is no formal organizational chart, leading to blurred lines of authority surrounding the supervision of staff and management of municipal entities. In particular, the Fire Chief and Recreation Director for MBR currently report to separate Committees of Council, but in most municipal governance structures these roles report directly to the CAO who relays strategic and operational plans from Council. The Committees of Council should operate in an advisory capacity only, providing recommendations to Council regarding budgets, operations, and capital planning for their respective departments and organizations.

Recommendations to improve governance issues include approving a formal organizational chart, amending the organizational by-law 9-2020 to include Council approved responsibilities for Committees of Council, and establishing Recreation Services as a municipal department.

Transportation Services

Transportation is MBR's largest expenditure, routinely comprising 50% of the annual operating expenditure budget. Council utilizes a Committee of the Whole to govern transportation services, but there is a lack of evidence for any routine transportation planning. The previous organizational by-law 14-2018 required a Transportation Services Committee (TSC) develop multiple long-term road construction, maintenance, and drainage plans, but these plans were not developed, and the Council abolished the TSC in the updated organizational by-law 9-2020. Capital reserves for transportation infrastructure have been diminished in recent years, and with the lack of long-term planning it appears that most transportation projects happen on an ad hoc basis when recommended to Council.

MBR's transportation costs per capita are relatively low when compared to other rural municipalities in Manitoba. The cost per capita in 2020 was \$741, compared to an average of \$1,053 of the four municipalities reviewed. This shows that while the cost of transportation is significant on MBR's operations, it is performing efficiently in comparison to other communities, likely due to the lower cost of maintaining gravel roads compared to paved roads in other municipalities.

Recommendations to improve the fiscal operations of transportation services include re-establishing the TSC to develop long-term capital plans and absorbing the current drainage committees into the TSC. The TSC should work with the CAO throughout the municipal budgeting process to recommend the transportation budget to Council.

Fire Services

Fire Services are provided by two Fire Departments in the region, the Riverton-Bifrost Fire Department (Rbfd) and the Arborg Bifrost Fire and Emergency Services (ABFES), with operating costs for ABFES shared between MBR and Arborg on a 55:45 basis, respectively. Operational budgets of both Fire Departments have increased significantly in the last five years, with MBR and Arborg combined paying more than twice as much for Fire Services per \$1,000 of property assessment than comparative municipalities.

Capital spending for each Fire Department has also increased, with MBR borrowing \$1 million to construct a new fire hall for the Rbfd, and additional borrowings made on behalf of the ABFES for a new fire truck and equipment. MBR shares capital purchases for ABFES on a 50:50 basis with Arborg but has paid 100% of the cost for certain capital purchases that Arborg has deemed unnecessary for the protective services of the town's boundaries. For example, MBR was responsible for the full cost of a wildfire truck used exclusively in rural areas by ABFES. The capital reserves for the departments rely primarily on receiving annual operating surpluses from the fire services budget. Major capital purchases, including the fire hall and pumper truck have had by-laws establish a general mill levy to cover the cost of debt servicing on the purchases.

The primary recommendation to improve the cost efficiency of fire services is to merge the two fire departments into a single service provider for the region. This would reduce costs related to staff wages, training, administration, and enable better sharing of resources throughout the region. Service would not be negatively impacted as the current fire hall locations would be maintained and staffed with deputies.

Secondary recommendations for fire services include establishing a special mill rate for the new fire hall debt, setting budget increase constraints on annual operating budgets to reduce the current unsustainable rate of growth in costs and requiring the construction committee submit change orders to Council for approval.

Parks and Recreation Services

Parks and Recreation Services are provided by two separate commissions in the region, the Riverton-Bifrost Parks and Recreation Commission (RBPRC) and the Arborg Bifrost Parks and Recreation Commission (ABPRC). Revenues for both commissions have been negatively impacted by the COVID-19 downturn but are expected to recover in the coming years. However, facilities maintenance costs continue to increase, with the RBPRC specifically seeing an increase in facility maintenance expenses of \$31,883 in 2017 to \$85,045 in 2020. A Recreation Master Plan completed in 2021 noted \$2,156,120 in facility capital improvements required over the next 10 years, including \$932,100 for RBPRC and \$1,224,020 for the ABPRC. MBR does not have any capital reserves specifically dedicated to recreation facility improvements. The future of MBR's involvement in the ABPRC is currently being negotiated between the municipalities, as MBR has attempted to opt-out of the ABPRC while providing some ongoing operations funding, but Arborg has countered with a proposal for ongoing funding and governance collaboration between the two municipalities.

Recommendations to improve the fiscal operations of Parks and Recreation Services include establishing a recreation capital reserve fund and funding the reserve through a combination of direct revenue transfers such as a special reserve tax levy or mill, redirecting user fee increases to revenue, or increasing registration fees for recreation programming.

B.A.R. Waste Authority Co-Op Inc.

The B.A.R. Waste Authority Co-op Inc. (BAR) is a regional landfill operation established as a corporation that is owned 2/3 by MBR and 1/3 by Arborg. MBR's share of landfill user fees paid to BAR has increased from 62% in 2017 to 79% in 2021. MBR paid \$38,000 in user fees to BAR in 2017, and BAR's budget request for operational funding in 2022 is \$96,000, a 158% increase in five years.

A landfill expansion with a capital cost of \$550,000 was completed in 2021, with MBR using \$350,000 from its gas tax reserves to pay for its share of the capital cost. No specific capital reserve has been established for future investment in the landfill.

Recommendations to improve BAR's fiscal operations include establishing a new revenue and cost sharing agreement between MBR and Arborg that clarifies the details of annual cost splits and credit sharing and establishing a BAR capital improvement reserve that both MBR and Arborg commit to contributing to annually. Additionally, a separate reserve should be established for the landfill closure and post-closure care costs.

Financial Statement Review

MBR's financial statements present a municipality in a relatively stable financial position. Key findings from the review of audited financial statements from 2016 to 2020 and unaudited financial statements from 2021 include:

- Net financial assets grew at an average rate of 2.7% per year, ending with a decline from \$1.3M in 2019 to \$1.0M in 2020;
- Long-term debt has increased substantially from a low of \$292,899 in 2019 to \$1.3M in 2021, with additional borrowings for the fire hall project still to occur in 2022;
- Accumulated surplus grew in each year, from \$13.1M in 2017 to \$14.7M in 2020;
- Revenues grew at an average rate of 4.75% per year;
- Property taxes made up 52% of total revenues in 2017 versus 66% in 2020, showing a heavier reliance on rate payers for revenue as assessment values grow. This was found to be in line with the composition of revenue from the comparable municipalities;
- Expenses grew at an average rate of 1.10% per year;
- The allocation of expenses by category has remained relatively stable over the review period, with transportation services (4-year average of 51%), recreation and cultural services (15%), and general government services (14%) forming the top 3 operational expenditures;
- MBR's operating costs for governance and corporate management as a percentage of total municipal costs were the lowest of the compared communities in 2020 at 13.4%, compared to an average of 17.4%, which indicates the organization is being run efficiently;
- Net income grew from a low of \$228,830 in 2018 to \$824,978 in 2020 due to growth in revenues outpacing growth in expenses;
- Reserve funds have diminished substantially, with net withdrawals totalling \$351,171 and \$311,176 (unaudited) in 2020 and 2021, respectively. MBR's total capital reserves dropped to their lowest level just under \$1.3M at the end of 2021;
- Other comparative municipalities hold capital reserves three times greater than those of MBR. In 2021, reserves per capita in MBR were \$389, compared to an average of \$1,303 per capita for the other reviewed municipalities;
- MBR's current ratio has increased from 1.80 in 2016 to 4.89 in 2020, representing the municipality has the financial assets to meet its short-term obligations.

Recommendations spurring from the financial statement review include focusing on replenishing capital reserves, possibly through special mill rates, re-establishing the TSC to guide long-term capital planning, and having the CAO publish a report of the key financial indicators included in this review to Council periodically.

Budgeting Process Review

There were multiple deficiencies identified in the budgeting process, including no formal budgeting schedule, lack of follow-through on capital budgeting, and a lack of long-term capital reserve investment planning. Recommended solutions for budgeting improvements include establishing budget deadlines through a municipal policy, improved prioritization of capital expenditures, and budgeting for recurring annual investment into capital reserves.

Administrative Process Review

Multiple administrative deficiencies were identified through consultation with the CAO and ACAO per the following table:

Table 1: Administrative Process Deficiencies and Recommendations

Deficiency	Recommendation
Multiple pay period cut-offs across separate municipal departments	The pay periods for Administration and Public Works should be aligned using the arrears payroll methodology. Administrative employees with a reduced cheque during the transition period should be given the option of a vacation day payout or salary advance to make up the one-time difference.
Bank time leave tracking	Policy should be developed that allows for the payroll administrator to apply bank time to full-time employees where required, unless stated otherwise.
No Finance Committee	Council should establish a Finance Committee to provide oversight and recommendations on financial matters such as reviewing and recommending a budget, monitoring financial performance, reviewing the audit, selecting the auditor, and reviewing and recommending financial policy to Council.
Issues with municipal credit card usage	Issue additional credit cards to individuals authorized by Council to reduce transactional level administration and draft and recommend a new municipal credit card usage policy for Council's approval.
No automatic bill payments to recurring vendors	Implement automatic bill payments for monthly recurring vendor payments of a relatively consistent value. Council must approve each individual vendor qualified for automatic bill payment based on a recommendation by the CAO. If online bill payment is preferred, Council must authorize the CAO and/or ACAO to have access to the EFT function.
Limited online payment options for ratepayers	Set up MBR as a payee on the Online Bill Payment system with the major Canadian financial institutions to allow residents to pay taxes and fees online where cost effective.
An antiquated zoning by-law	Pursue an update to the zoning by-law.
The asset disposal policy does not address high value assets, such as municipal-owned real estate	Once Council has decided on a property disposal process, policy number 2012-5 should be updated to include the selected process to provide a precedent for future Councils.

Multiple pay period cut-offs across separate municipal departments

Payroll documentation forms should be updated to include bank time tracking, with a listing of bank time balances being sent to employees each pay period.

Review of Taxation and Other Revenue Sources

MBR's general municipal mill rate increased from 14.07 in 2017 to 17.73 in 2019, before settling at 17.373 for 2020 and 2021. Other mill rates for debt charges and special levies have dropped since 2017. Combined with moderate increases in the taxable assessment value (\$190.3M in 2019 to \$214.9M in 2022) the effective mill rate (total municipal revenue / total taxable assessed value) has seen a steady increase from 14.46 in 2017 to 18.62 in 2021. When compared to the other review rural municipalities, MBR was the only one of the four that had an increase in its effective mill rate since 2017. The average effective mill rate of the four reviewed municipalities was 15.78 in 2021, showing that MBR ratepayers pay more on average in municipal taxes than other comparable rural ratepayers.

As MBR's municipal taxes are comparatively higher than other municipalities, it would be more appropriate to focus on other sources for new revenue. Multiple other existing and potential revenue sources were analyzed, including:

- **Updates to user fees and charges:** Most user fees have not had their rates changed since 2015. Two rates that were identified for potential increases are the dust control administration fee and the unsightly grass and weed offense administration fee. MBR should complete a review of the actual cost of administration for these services prior to increasing fees;
- **The sale of cottage lots:** Council has subdivided lakefront municipal property in six lots and are preparing for a sale. It is recommended that proceeds from the sale of the lots be transferred to capital reserves of Council's choosing;
- **Accommodation tax:** The addition of an accommodation tax would have a relatively immaterial impact on MBR's coffers, and businesses could pass the increase on to the consumer. It is recommended the tax be implemented in the near-term as it may be more difficult to implement in the future as lakefront tourism in the region grows;
- **Business licensing:** It is standard for municipalities to charge an annual business licensing fee. For example, Arborg charges \$50 annually for a business license to operate in the municipality. It is recommended MBR implement recurring annual business licensing fees;
- **Tipping Fees:** Certain members of Council indicated public support for the introduction of a sewage tipping fee for non-residents of MBR, as currently non-residents can dump sewage in the lagoon at no cost, passing the cost of lagoon maintenance on to residents of MBR. It is recommended MBR impose a tipping fee on non-residents to ensure residents are only paying for shared lagoon costs. The revenue from tipping fees could be transferred to the lagoon capital reserve.

Commendations

Analysis of MBR's current fiscal state reveals that the municipality is generally well managed and the risk of the corporation defaulting on its financial obligations is low. The municipality has weathered the last two years of the pandemic without having to implement any significant austerity measures, and there is a visible passion amongst Council and the Administration for the continued success of the community.

Findings related to MBR's relatively strong performance measures include:

- Transportation costs per capita of \$741 compared to an average of \$1,053 for the reviewed municipalities;
- Average annual growth in accumulated surplus of 6.8%;
- Improvement in the current ratio from 1.80 in 2016 to 4.89 in 2020.
- Operating costs for governance and corporate management as a percentage of total municipal costs of 13.4%, the lowest of the reviewed municipalities;
- A steady asset sustainability ratio of 2.32 between 2018 to 2020.
- Residential building permits have grown from 32 in 2019 to 46 in 2021.
- Debt servicing costs have decreased due to the decision to move the tax due date from October to September of each year.

Conclusion

The findings of this review can conclude that MBR is relatively fiscally stable, but several improvements could be made to enhance financial performance and controls. Two main themes were observed across multiple recommendations:

1. MBR must shift from a short-term to a long-term fiscal planning process. The reduction in capital reserves, increase in debt, and lack of long-term capital plans in recent years cannot continue without the municipality increasing tax rates on its residents. Long-term planning is required to map out future capital needs, including maintenance of existing municipal infrastructure, with a focus on replenishing multiple municipal capital reserves;
2. Multiple difficulties stem from MBR's relationship with Arborg and the committees that oversee shared services. MBR must foster a good relationship with Arborg, while also maintaining control of its own fiscal interests. Solutions such as merging the fire departments or applying a regional approach to recreation require strong political will but should ultimately result in a better relationship between the two Councils and tax savings for ratepayers in each municipality.

Introduction

The Municipality of Bifrost-Riverton (MBR) has requested a value-for-money service delivery review of its administration's financial functions, policies, processes, and practices through the Municipal Service Delivery Improvement Program (MSDIP) provided by Manitoba Municipal Relations. This review will provide recommendations that strengthen MBR's fiscal services function and potential solutions to the municipality's administrative and financial challenges as identified within this review.

Objectives

The overarching goal of this review is to provide recommendations that will lead to a sustainable corporation that is able to provide the services its residents need in both the short and long-term, within existing budget constraints. This report is intended to inform the development of new municipal policies, fiscal planning and decision-making, revised fees and charges and by-laws. The specific objectives are:

- To conduct an objective review of the Corporation's fiscal policies, processes and practices related to financial planning, operational and capital budgeting, forecasting, reserving, fee establishment, collection, and reporting;
- To identify the current state, strengths, gaps and required improvements and document each in a practical, comprehensive report;
- To develop recommendations for change in the governance, policies, processes, and practices related to the finance function; and
- To identify potential opportunities for additional and/or alternative sources of revenue.

Methodology

The following materials were reviewed and analyzed to develop recommendations for improvement:

- Stakeholder interviews, including:
 - Interviews with four Members of Council, including the Reeve and Deputy Reeve. All seven (7) Members of Council were invited for an interview, with four following through
 - Interview with the Assistant Chief Administrative Officer ("ACAO")
 - Multiple discussions with the Chief Administrative Officer ("CAO").
- Review of municipal documents shared by the municipality, including:
 - Audited and unaudited financial statements for the municipality
 - Audited financial statements for organizations overseen by Committees of Council
 - Budgets and budget planning materials
 - By-laws and policies
 - Property assessment data
 - Fire payroll and service call statistics

- Details on outstanding debt balances
- Organizational charts
- Recreation planning.
- Review of publicly available documents, including:
 - The Manitoba Municipal Act
 - Documents and information from bifrostriverton.ca, including additional by-laws, policies, and Council meeting agendas and minutes
 - Public documents for comparable municipalities in Manitoba.
- Comparative research on municipalities with similar attributes. The following communities were utilized for comparative purposes:
 - **Rural Municipality of Lac Du Bonnet** – population 3,563 (2021); population has grown by 27% since 2006 when the RM had a population of 2,812. The 2020 statement of total municipal assessment was \$412,388,770. The RM of Lac Du Bonnet is like MBR in that it surrounds the Town of Lac du Bonnet which is a separate municipality. The service sharing agreements between the RM and Town of Lac du Bonnet can be compared and evaluated against the service sharing agreements between MBR and the Town of Arborg;
 - **Municipality of Pembina** – population 2,406 (2021), 2020 statement of total municipal assessment \$355,551,900. The Municipality of Pembina was formed through the amalgamation of the RM of Pembina and the Town of Manitou in 2015. Population has been stagnant since 2006 when the RM of Pembina and Town of Manitou had a combined population of 2,430;
 - **Municipality of WestLake-Gladstone** – population 3,273 (2021), 2020 statement of total municipal assessment \$251,168,030. The Municipality of WestLake-Gladstone was formed through the amalgamation of the RM of Lakeview, the RM of Westbourne, and the Town of Gladstone in 2015. Population has grown slightly since 2006, when the three municipalities had a combined population of 3,050.

Performance Measures

Most provinces, including Manitoba, do not require specific reporting of performance measures from municipalities. The Province of Ontario previously required all municipalities to submit performance metrics under its Municipal Performance Measure Program (MPMP)¹. However, the last available reporting period in the MPMP was in 2013. Many of the performance metrics used in the MPMP can still provide valuable insight for municipal administration and have been used to compare MBR to the comparative municipalities throughout the report.

¹ <https://data.ontario.ca/dataset/municipal-performance-measurement-program>

About Bifrost-Riverton

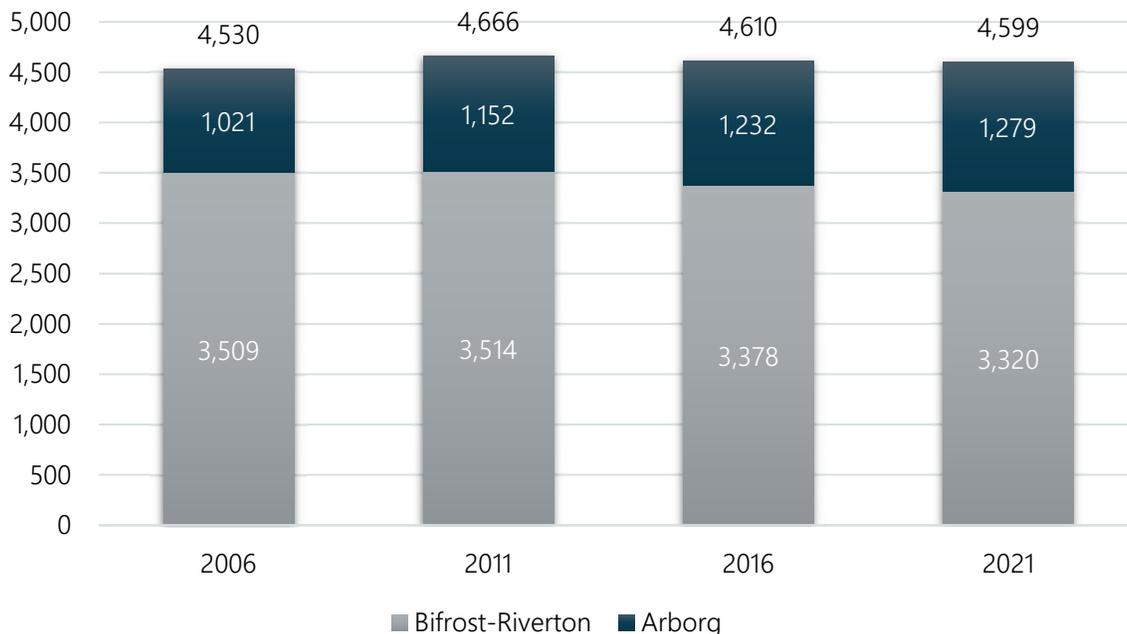
MBR is in Manitoba’s Interlake Region approximately 100 kilometers north of Winnipeg along the western shore of Lake Winnipeg next to the Hecla-Grindstone Provincial Park. The municipality was formed in 2015 through the amalgamation of the RM of Bifrost and the Village of Riverton. The greatest economic drivers in the region are Agriculture, Forestry, Fishing and Hunting which employed approximately 31% of the municipality’s labour force in 2016.

MBR surrounds the Town of Arborg (Arborg), which is a separate municipality. The two municipalities share multiple services including Fire and Emergency, Recreation, and Landfill services. The Councils of each municipality have delegated certain governance and oversight responsibilities for these shared services to committees with joint membership.

Population

MBR reported a population of 3,320 on the 2021 census (Figure 1)². The total regional population in 2021 was 4,599 when combined with the Arborg. Several stakeholders that were consulted noted that the municipality is growing fast; however, this perception does not appear to align with population statistics. Arborg’s population grew 25% (258 people) over the past 15 years, while MBR’s population shrank 5% (-189 people) over the same period, for a combined net population growth of 1.5%, or 0.1% on an annualized basis.

Figure 1: Regional Population Statistics, 2006 to 2021



² <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=9810000202&geocode=A000246>

Consultation

Internal stakeholders were invited to participate in interviews to provide insight and context on the current state of municipality operations as well as to discuss the municipal service delivery improvement project and the project's objectives. Interviews were conducted with the following:

1. CAO
2. Assistant Chief Administration Officer ("ACAO")
3. Four (4) members of the Bifrost-Riverton Municipal Council, including the Reeve and Deputy Reeve. While all Councillors were invited to share their opinions, only four responded to the invitation.

This section details the opinions and perceptions of the individuals interviewed for this review.

Perceived Strengths

Throughout the interview process, the following themes were identified by stakeholders as perceived strengths of the municipality.

It is important to note that the following subsections include the perceptions of those interviewed. The following sections of the report include the findings of more detailed reviews on these subjects and include any empirical or other evidence that these perceptions are accurate.

Efficient Organizational Performance

- Stakeholders noted that the CAO and the Administration team are well-organized;
- Stakeholders believe that the municipality's organizational structure is efficient and that the administration's ability to complete their role managing the municipality occurs without barriers or interference from Council;
- Financial reports provided by Administration for council meetings are perceived as current and organized for effective decision-making;
- Stakeholders indicated that the CAO has done well sourcing and securing more grants for the municipality;
- It was reported that Council members come from different backgrounds such as farming, construction, and public service, lending well to the overall composition of Council;
- It was indicated that the Municipal Council has been relatively harmonious in decision-making and unanimously aligned on the intent to grow the municipality. Councillors estimate the asset base could expand by 30 to 40% over the next ten years.

Improved Operational Performance and Strategic Vision

- Recent improvements in municipal operations were noted by all stakeholders.
- Financial controls were described as stringent. The A CAO and Council stated that it is difficult to make expenditures outside of what is budgeted and approved by Council. For example, each ward receives a

set amount of gravel in their annual budget. Individual councillors do not have authority to change the amount of grading completed in their wards once the budget is approved.

- Both Administration and Council report increased prudence paying bills or invoices issued to the RM. Investigation and justification from both Council and Administration are exercised prior to making a payment to minimize discrepancies.
- The Administrative team recently adopted new software to automate some tasks and established a Finance Clerk role to alleviate the workload in the office. Introducing the two changes was reported to enable the CAO and ACAO to focus some of their efforts on other aspects of the municipality's operations.
- Council members report that the current taxation system works as intended without much taxpayer contention. Municipal council indicated that tax rates are aligned to the services provided by the Municipality resulting in a balanced budget year over year. In addition, there was mention of tax incentives for commercial development, including a progressive 5-year property tax credit schedule with no taxes in the first year of operations³ to attract companies to the industrial park located on the south side of Highway 68.
- Council members indicated their satisfaction in the delivery of emergency services over the past two years. The recently onboarded Fire Chief has been commended for bringing in a surplus of new firefighters and helped in the procurement of new firefighting equipment funded by the RM.

Infrastructure and Other Economic Opportunities

The interviews conducted yielded some opinions and discoveries for strong opportunities in economic development largely linked to infrastructure.

- The entire RM of Bifrost-Riverton is surveyed, making it easier to plan and action new infrastructure projects;
- Many of the interviewees stated that the RM has a diverse economy with multiple manufacturing companies opening or expanding facilities in the area;
- Some stakeholders have noted the opportunity to develop more cottages and amenities near and along Lake Winnipeg. With improved remote internet services available like Starlink⁴ and continually expanding network coverage from existing service providers, a barrier that once deterred people from moving to a rural area or buying rural property is removed.

Perceived Challenges

Interviews allowed the opportunity for stakeholders to identify issues they perceive as barriers to the RM delivering municipal services efficiently and effectively. The major reoccurring themes are outlined in this section.

³ <https://bifrostriverton.ca/attachments/article/544/By-law%2011-2016.pdf>

⁴ <https://www.starlink.com/>

It is important to note that the following subsections include the perceptions of those interviewed. Subsequent sections of the report include the findings of more detailed reviews on these subjects and include empirical or other evidence related to these perceptions.

Post-Amalgamation Relationship with Arborg

The Manitoba government's rationale for the 2015 amalgamation per The Municipal Act was efficiency and economies of scale for rural communities with populations under 1,000⁵. The following opinions regarding the effects of the amalgamation included:

- Some stated the main issue with the amalgamation was that Arborg opted out of merging with Riverton and the RM of Bifrost despite being within the borders of the new RM. Many services and arrangements are shared between both parties, but accounts of requests from Arborg for more funding from MBR and a resulting strained collaborative relationship were mentioned.
- Some perceive the Village of Riverton received more funding prior to amalgamation and that more support is now being allocated to rural areas of the municipality for gravel road maintenance and drainage.
- Internal division among was indicated by interviewees, specifically related to supporting Arborg-centric initiatives or moving forward with projects without exercising due diligence.
- Some stakeholders perceive that there is a post-amalgamation divide between urban and rural Councillors on where funds are best allocated.
- MBR purchases its municipal water from Arborg, but stakeholders indicated the perception that the current arrangement is not fair to MBR⁶. MBR's Council completed a study to develop their own water access system. The idea was met with public support, but it is perceived that Arborg does not want the project to move forward because it would reduce Arborg's water services revenue.
- The industrial park on the south side of Highway 68 has a sewage line connected to the Arborg lagoon but no water service. Some interviewees have cited that a study should be conducted prior to deciding to connect the industrial park to Arborg's water system. Other ratepayers outside of Arborg are requesting water and should take precedence.

Governance and Relationship Challenges

Despite the perception of some, captured in the preceding section, that the municipality's aggregate administration is running very effectively, it is the perception of some that the governance structure is unclear and communication challenges still exist.

- Some view the current organizational structure as optimal, but others perceive that there is still too much operational involvement from and reliance on Council.
- The reporting structure for some municipal staff is unclear, with some staff members taking work orders from members of Council, Committee members, and/or the CAO.

⁵ <https://sorc.crrf.ca/manitoba/>

⁶ [https://www.townofarborg.com/attachments/article/560/2020%20PWS%20Annual%20Report%20\(2\).pdf](https://www.townofarborg.com/attachments/article/560/2020%20PWS%20Annual%20Report%20(2).pdf)

- Concerns were raised regarding Councillors making independent operational decisions without full Council approval. For example, a Councillor directing a Public Works employee of the municipality to perform road grading tasks outside of their approved workplan. Councillors have stated that this is an old issue that has been resolved, and that they all have the understanding that Public Works requests must be approved and prioritized at a Council meeting.
- There is a perception of a power struggle for control of certain municipal departments and employees. For example, the Riverton-Bifrost Parks and Recreation Committee is a Municipal Committee established through by-law 09-2020, but members have been perceived to act as an independent entity by requesting a memorandum of understanding to remain the supervisor of the Recreation Director.
- Stakeholders indicated that the system and the stakeholders within it generally work well together; however, the perception that some act extrajudicially or out of scope when their requests are not met still exists.

Cash Management and Budget Adherence

- Although it is mentioned in the preceding section that financial controls are improving, some perceive that approved budgets are not always adhered to. Spending outside of the municipality's approved budgets by Committees of Council is still believed to occur.
- Concerns were raised regarding some department managers being granted budget development responsibilities by their oversight Committees while lacking the knowledge for both short- and long-term financial planning.
- Some interviewees explained certain committees require the spending flexibility from a line of credit since Administration pays them on a monthly or quarterly basis, however, tend to end up in a deficit position on the line of credit. It is reported that there are little to no repercussions to the Committees because Council instructs Administration support these decisions financially.
- Stakeholders mentioned unforeseen and ad hoc expenses continue to occur. For example, the extreme snowfall during the current 2021-22 winter forced MBR to run snow removal equipment longer, with inflation causing fuel costs to increase across all departments. It was noted that MBR is increasing the caution it exercises in the current budgeting process to account for these types of overages.
- It was indicated that there can be competition between accumulating savings and keeping taxes low. Stakeholders stated they believe the current taxation rate generates sufficient revenue and is aligned with the goal of resident retention and attraction. However, it was also noted that reserve funds have been depleting and are not proactively being replenished. Those who have voiced their concerns about this stated that without robust reserves, funds for new equipment or other capital expenditures are borrowed.

Administrative Inefficiencies

- It was noted that deficiencies in the fee schedules and by-laws may exist. It was indicated that the two revenue streams should be reviewed for revenue opportunities and the associated costs for processing municipal service requests is not aligned to the amount of work inputted.
- Currently, MBR does not charge a tipping fee. Non-residents have been known to dispose of their sewage in MBR's lagoon with the municipality absorbing the costs. Stakeholders noted that there is support to charge a tipping fee, but no formal discussion regarding the matter has been documented.
- Administration mentioned payroll operates on two different pay periods: one for Administration staff and the other for Public Works staff, adding unnecessary complexity when processing payroll.
- Administration mentioned many of the invoices issued by MBR are still mailed out by post, costing approximately \$0.82 per envelope plus administrative time. Steps have been made to migrate away from postage to electronic receipts for time and cost savings but has yet to be fully adopted.

Recreational Facility Operations

- Multiple interviewees expressed concern with the ongoing operation of recreational buildings such as the arena and curling club. The COVID-19 pandemic made operations especially challenging for the municipality. Curling club bonspiels were highlighted as major source of recreation revenue, but the club has not been able to host bonspiels due to the pandemic.
- Concerns regarding a lack of control on spending were voiced throughout the interviews. Some have the perception that Recreation and the funds expended on their associated facilities are not scrutinized to the same depth as other operations.
- Financial issues related to the recreational facilities were said to have led to strife between individuals and committees at times, however all parties are continuing to work on the relationship.

Stalled Government Support

- Some interviewed stakeholders believe there is a perception bias against the proximal geography that affects MBR when requesting funding from provincial and federal government sources. It is perceived that the area is viewed as merely cottage country with sparse infrastructure. However, it is believed that the community is growing, and residents should not have to commute into population centres like Selkirk or Winnipeg to access essential services;
- The harbour requires dredging, but Council has been unable to convince the provincial or federal government to support the task. Dredging the harbour is estimated to cost millions and is out of reach of the municipality without higher-level government aid;
- The municipality has experienced barriers in building a publicly funded care home for seniors wanting to stay in the community. Seniors requiring a transition to personal care facilities are relocating to Selkirk, approximately one hour away from the municipality of Bifrost-Riverton. Presently, the Seniors Housing Committee is working with the MLA and the Minister of Health to gain traction on the endeavour.

Identified Areas of Review

Based upon the summary of consultations as provided and upon the preliminary document and policy review that accompanied it, the following sections outline areas of review that were undertaken and organized into the following categories to address the salient elements as indicated. The following sections and subsections include reviews of:

- 1) Governance structures and practices
- 2) Departments and committees
- 3) Financial statements
- 4) Budgeting processes
- 5) Administrative processes
- 6) Mill rates, user fees and levies.

Governance Review

Having a sound governance structure and practices provides all stakeholders with a clear understanding of the lines of authority, provides the appropriate separation of duties between elected officials and administration, helps ensure all administrative by-laws and policies are followed, and thereby provides an additional level of control over the municipality's assets.

Consultation revealed multiple inefficiencies stemming from MBR's governance structure, including budget control issues and authority to approve expenditure and other operational decisions. Results from the consultation have directed the review to MBR's organizational chart, governance by-laws and the organizational structures of comparable municipalities in Manitoba.

Organizational Chart

The current unofficial organizational chart is included in Figure 2. The chart was described as informal, as it has been constructed by MBR's Administration based on the current interpretation of the lines of authority. Figure 3 shows the numerous Committees for which MBR's Council has municipal responsibilities and influence.

In a typical municipal organizational chart for a small town or rural municipality the Council relies on the CAO to carry out its operational mandate, with each municipal department head reporting directly to the office of the CAO. For MBR, multiple municipal departments have been broken into independent entities with oversight from committees and subcommittees. Several municipal roles that would traditionally report to the CAO, such as Fire Chief or Recreation Director, instead report directly to a Committee of Council.

MBR's organizational chart is further complicated due to the municipality's relationship with Arborg. There are several departments jointly owned and operated by MBR and the town of Arborg, including the Arborg-Bifrost Fire & Emergency Services ("ABFES") and Arborg-Bifrost Parks and Recreation Commission ("ABPRC").

The current organizational structure includes several Committees that have been delegated oversight responsibilities by Council. Consultation revealed instances of Committees making budgeting and operational decisions, but these decisions should be borne by Council with the Committees providing support through strategic plans and recommendations. The obfuscation of Committee responsibilities can be tied to several causes:

- Most Committees have a seat reserved for at least one member of Council. The Council member should be providing support and direction to the Committee, but in some cases the Committee may view this Councillor as lending additional authority to the Committee's role;
- Committee roles and responsibilities have not been detailed in the organizational by-law, as further described in the following section;
- MBR has not adopted a formal organizational chart or structure, leading to more informal reporting relationships being established.

Figure 2: Existing Organization Structure of the Municipality of Bifrost-Riverton

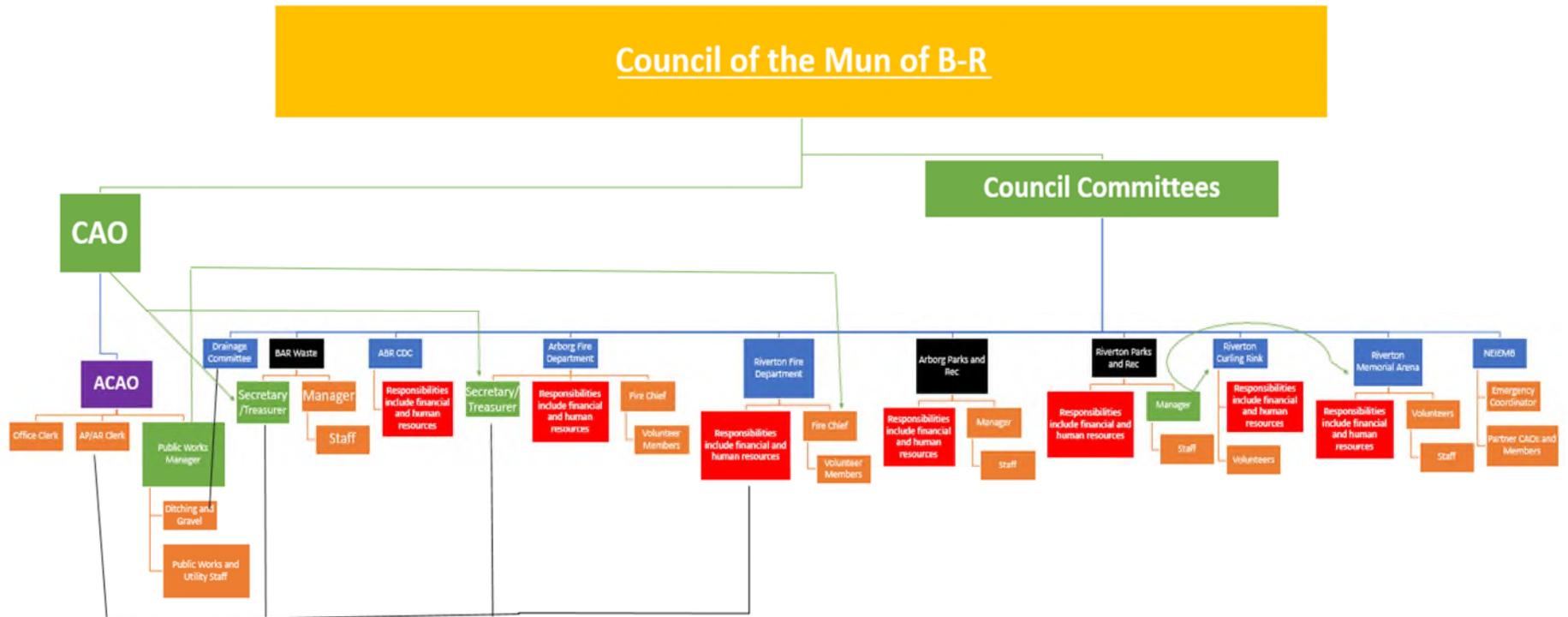
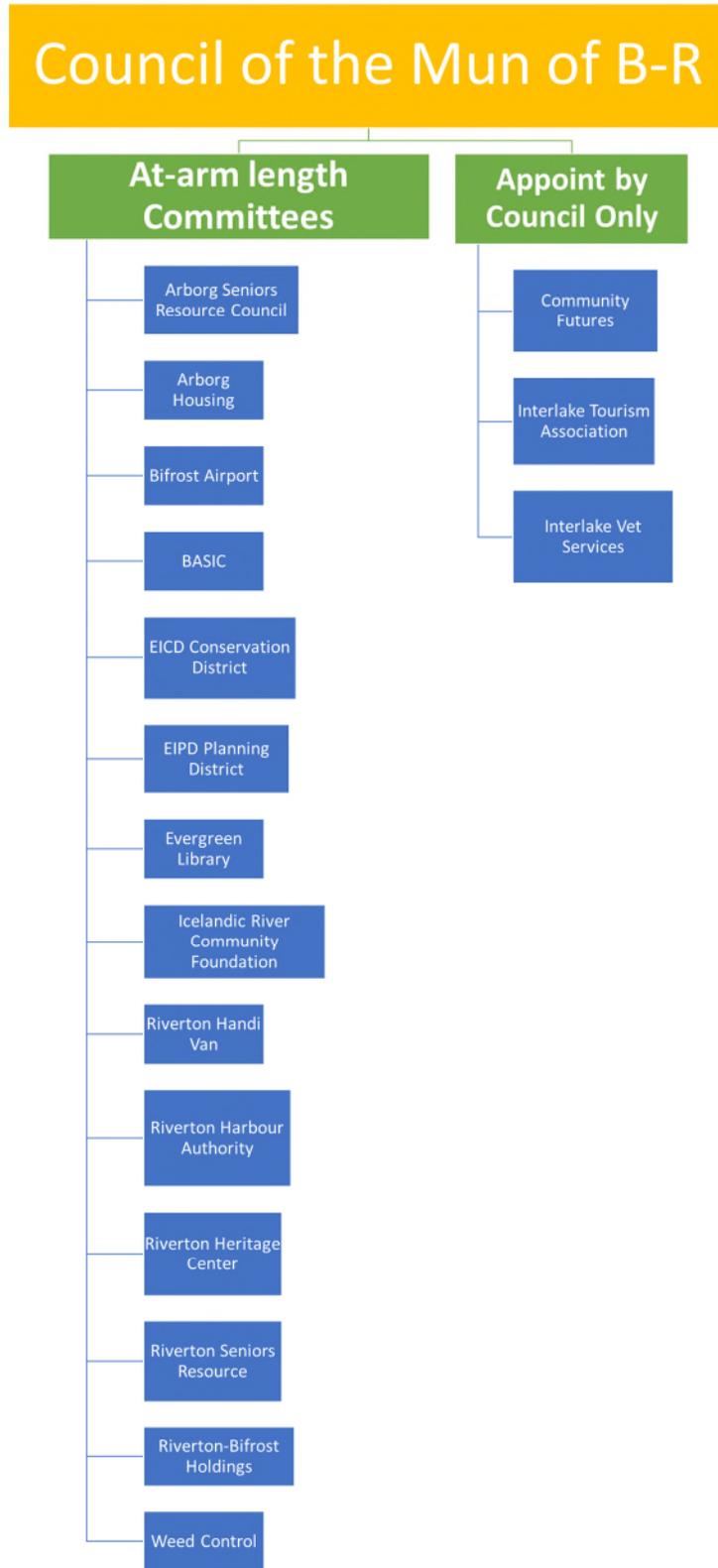


Figure 3: MBR Council Control and Influence over Committees



The detail provided in Figure 3 is typically not included in a formal municipal organizational structure but is useful in understanding the full range of MBR's influence on local and regional Committees.

Examples of deficiencies caused by the lack of a formal organizational structure include confusion surrounding the independent status of commissions and their directors. The RBPRC is a Committee of Council established under organization by-law 9-2020, but it appears to operate as a separate entity, employing and supervising the Recreation Director without municipal oversight. The RCPRC has recently requested the Recreation Director's salary be moved to the municipality's payroll to access employment benefits, but still report for direction under the supervision of the RBPRC. The intention to provide employment benefits to the Recreation Director is appropriate and looking out for the employee's well-being, but it calls attention to the ambiguity regarding the RBPRC's status as an independent entity versus a Committee of Council established under municipal by-law.

The Fire Chief of the Riverton-Bifrost Fire Department currently reports to the Riverton-Bifrost Fire Committee, and the Committee reports to Council. However, this relationship has evolved into the Committee providing direction to the Fire Chief. Under a standard municipal structure, the Committee would advise on strategic direction and potential courses of action to the Council, and the Council would approve decisions related to the Fire Department, which would ideally be routed through the CAO who supervises the Fire Chief.

Due to these inefficiencies, several Committees are developing their budgets in a vacuum; there is little interaction with Council and the CAO regarding the municipality's budget goals or constraints. Committees submit budgets separately which are then approved by Council, and the CAO must work them into the municipal budget.

Governance By-laws

Concerns raised through the consultation process pointed to members of Council acting unilaterally to make operational decisions as an individual Councillor or on behalf of a committee on which they serve. Per the AMM Council Member's Guide⁷, "*individual council members cannot make decisions on behalf of the municipality, and may be held legally or financially liable if they do*". To reduce risk of liability for both the municipality and the individual Councillors, all decisions must be made at an official Council meeting and that decision should be recorded thusly. Council should provide direction to the Administration who then execute operational activities.

Per the CAO's October 2020 *Six-month Synopsis to Council*, MBR's current Organizational by-law (9-2020) does not provide guidance on the establishment of council committees and their duties and functions. Per *subsection 148(2) of the Municipal Act*, "*an organizational by-law must provide for the following*:"

- (a) *the establishment of council committees, other than committees of local urban districts, and other bodies of the council, including their duties and functions;*
- (b) *the appointment of a deputy head of the council to act in place of the head of council when he or she is unable to carry out the powers, duties and functions of the head; and*

⁷ https://www.gov.mb.ca/mr/mfas/pubs/council_members_guide.pdf

(c) the manner of appointment of persons to council committees and other bodies.

MBR's by-law 9-2020 provides guidance for points (b) and (c) but does not meet the full requirements of establishing committees and the duties and functions of each committee. For example, the RM of Cartier's organizational bylaw states "Council may create special committees on an "ad hoc" basis as the need arises. These committees shall be created by resolution of Council."⁸ It is recommended that a similar statement be added to MBR's organizational by-law on the next term update.

The general duties of committees are established under by-law 9-2020 subsection 4.2. These include:

- a) To develop and monitor the progress of a strategic plan clearly outlining the goals and objectives of the committee;*
- b) To report on the progress of the committee towards the goals and objectives set forth in the committee's strategic plan and on other matters connected with the duties referred to the committee and to recommend such action as may be deemed necessary;*
- c) To advise on the preparation of and the introduce to council all such by-laws as may be necessary to give effect to the reports and recommendations that are adopted by council; and*
- d) To consider and report respectively on any and all matters referred to them by council.*

These established duties state that committees should be reporting directly to Council. Committees may provide recommendations to Council but should not have any direct influence over municipal operations. The consultation and by-law review process revealed that some department managers are taking orders directly from the committees rather than the CAO. For example, by-law 5-2017 for the Bifrost-Riverton Fire Department states that the Riverton Bifrost Fire Department Committee shall supervise and manage the Riverton Bifrost Fire Department. Having a committee supervising and managing the Fire Department and Fire Chief effectively bypasses the authority of the CAO. In the past, the Committee has made material unbudgeted capital purchases which should require full Council approval.

Recommendations

Several recommendations that could be undertaken to improve MBR's governance structure, and thus improve budgeting and expenditure controls, include:

- 1) Council should approve a new organizational chart that clearly outlines MBR's organizational hierarchy. A new chart will provide clarity on how the government operates to all staff, volunteers, and members of the public. Figure 4 provides the outline for a recommended organizational chart. This organizational chart is more in line with other municipalities in Manitoba and shows the direct line of authority from the Council to the CAO, and from the CAO to the individual department heads. Note that committees are not featured on this chart as they should only be used in an advisory capacity. Committees should not have any authoritative control over the operations of the municipality. Note that the Committees found in Figure 3 are not included in Figure 4 as MBR does not have full control over multiple

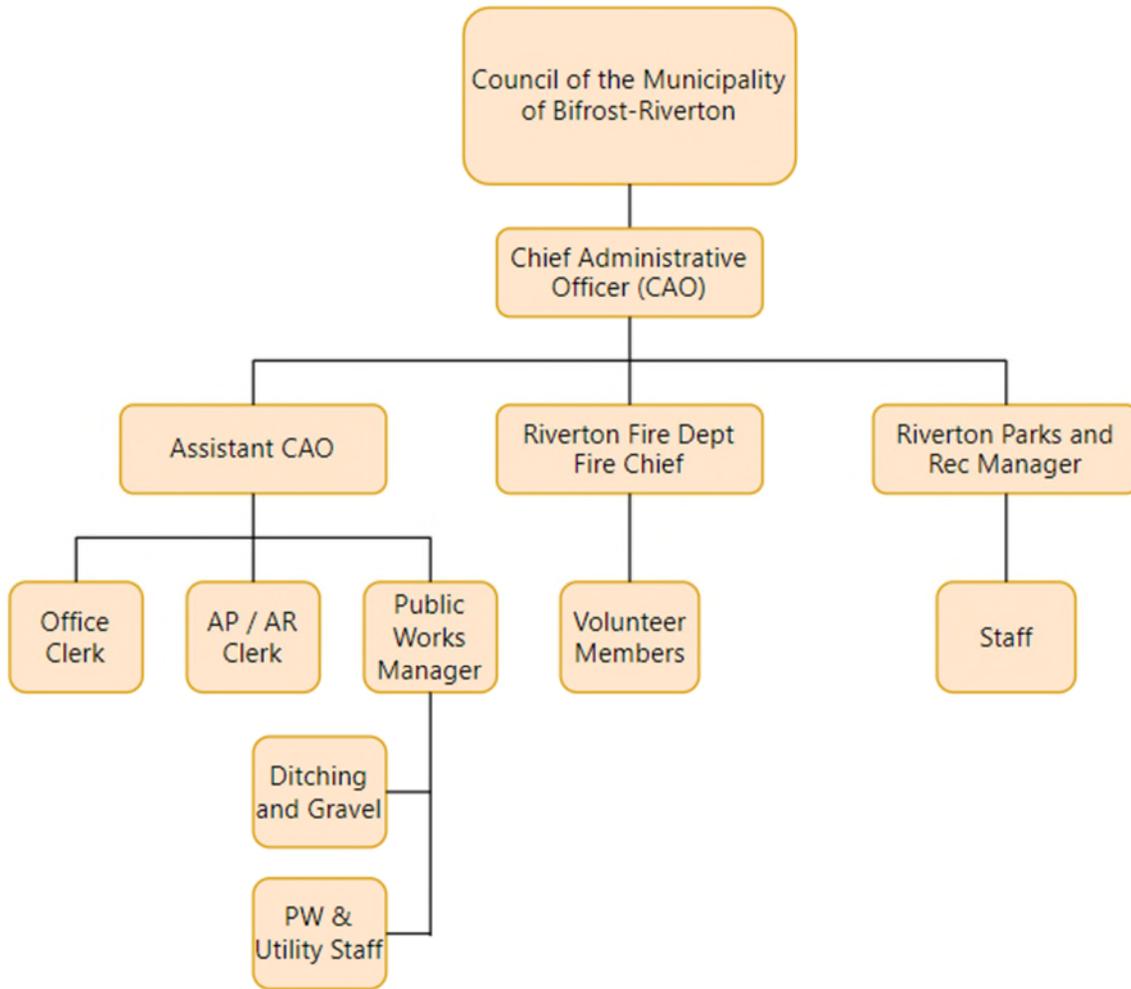
⁸ Rural Municipality of Cartier, By-Law No.1665-19 – Organizational By-Law. <http://www.rm-cartier.mb.ca/Home/DownloadDocument?docId=1b071e0b-0b04-46f8-aaae-12ed8ae35e50>

Committees, but the existing Committee chart may still be used by the Administration for reference purposes;

- 2) The following should be excluded from the organizational chart:
 - a. Committees should only be used in an advisory capacity and thus not included in the organizational chart. Committees should not have any authoritative control over the operations of the municipality;
 - b. Committees and departments that are shared with Arborg. These should be excluded from MBR's organizational chart as the Council does not have full fiscal control of these organizations. A full review of these joint departments is included in the following section;
- 3) By-law 9-2020 should be amended to detail more specific duties and functions for each committee. Doing so would help set and communicate Council's expectations and objectives for these committees. Without clearly establishing duties and responsibilities for each committee through a by-law, committees may be overreaching beyond the scope of Council's intended purview for the committee;
- 4) Committees should not have authority to approve expenditures of any type. All expenditure requests from Committees should be recommended to Council for approval through the formal budgeting process. While evidence of unapproved expenditures occurring is only anecdotal, Council should ensure no unbudgeted expenditures are occurring through a conduct policy that all Committee members must agree to that states all budgeting decisions must be borne by Council and that the Committee may only provide advice regarding budgeting and capital decisions;
- 5) If the RBPRC it is in fact a Committee of Council, the Recreation Director and any other direct municipal recreation staff should be considered employees of the municipality, with the Recreation Director reporting directly to the CAO. The RBPRC should be acting as an advisory committee that provides operational and budget recommendations to Council.

If the RBPRC is considered an independent organization that MBR provides funding to, it should be established as such through by-law amendments. Under this version, the Recreation Director may be a municipal employee, but staff for the subgroups (Curling Rink, Arena, Riverton Hall) could still be independently hired by the subgroups, with the Recreation Director acting as the link between the subgroups and the municipality. Considering the property and equipment is owned by MBR and MBR funds over 70% of the RBPRC's revenue (see Parks and Recreation Services section), it would be appropriate to assume recreation is a Municipal department.

Figure 4: Recommended Organizational Chart



Department and Committee Review

MBR has numerous Committees of Council and its Councillors sit on multiple at-arm's length Committees. This analysis focuses on the departments and committees established under by-law 9-2020 that have a material impact on MBR's budget, and that Council has either control or a significant influence over governing. The departments and committees reviewed include:

- Transportation, including Drainage Committees
- Fire Services, including:
 - Riverton-Bifrost Fire Department
 - Arborg Bifrost Fire & Emergency Services
- Parks and Recreation Services, including:
 - Riverton-Bifrost Parks and Recreation Commission
 - Arborg Bifrost Parks and Recreation Commission
- B.A.R. Waste Authority Co-Op Inc.

Financial results for other departments and committees for which MBR provides minimal annual funding or controls a minority interest were reviewed as part of this analysis but no significant issues were identified that would have a material impact on the municipality's fiscal operations. Other reviewed committees included:

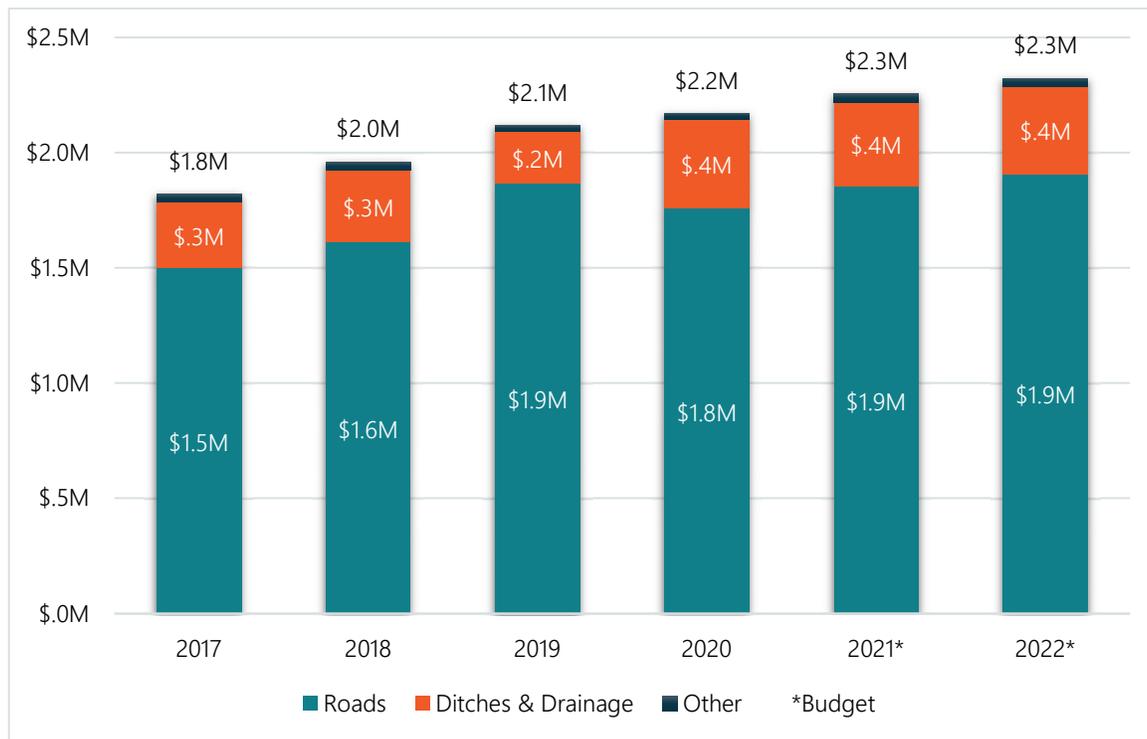
- Bifrost Airport Commission
- Eastern Interlake Planning District
- Evergreen Regional Library
- Interlake Weed Control Board
- North-East Interlake Emergency Measures Board
- Riverton Transportation Heritage Centre
- Riverton and District Handi-Van Inc.

Transportation

Transportation is MBR's largest expense, with the cost of road construction, maintenance, and drainage routinely comprising over \$2 million annually, or half of the municipality's annual expenditure budget. Figure 5 provides a breakdown of transportation spending from 2017 to 2022, with budgeted amounts for 2021 and 2022 spending. The amount allocated to roads increased 24% between 2017 to 2019 (an annual increase of \$366,113).

Transportation services are governed by MBR and citizen representatives. By-law 9-2020 allows Council to utilize a Committee of the Whole for Transportation services planning. There are two drainage committees (East and West) which oversee and recommend ditching and drainage projects to Council. While significant, drainage costs are less than 20% of the total transportation services budget.

Figure 5: Transportation Expenditures by Year, 2017 - 2022



Repealed organizational by-law 14-2018 required the following reports to be completed by the Transportation Services Committee:

- Annual work plan
- Twenty (20) year road maintenance plan
- Ten (10) year road construction plan
- Ten (10) year drainage plan
- Capital equipment plan
- Ongoing monitoring of road design specifications and maintenance standards throughout the municipality

These plans were consistently not being completed by Council or Committee, and rather than developing the plans the by-law was repealed and replaced by organizational by-law 9-2020 which does not detail specific planning requirements. The current lack of transportation planning has not yet caused any fiscal emergencies, but as evidenced by depleted capital reserves (see Financial Statement Review) MBR is pushing the financial burden of a major road maintenance or equipment breakdown to the future, increasing the risk of the municipality further leveraging debt instruments.

There is anecdotal evidence from consultations that the transportation priorities of the urban centers in MBR are neglected in favour of rural roads. This claim is difficult to prove in absence of detailed road construction and maintenance planning but provides further importance for the development of these plans. Proper transportation planning and follow-through enables the community to hold Council accountable for the

maintenance of MBR's transportation services through a transparent process, providing further assurance to the public that the divide of rural and urban road maintenance is fair.

Transportation Performance Measures

Total Costs for Roads per Lane Kilometre

Transportation costs related to road maintenance are consistently one of the highest cost categories for municipalities in Manitoba. The objective of this performance measure is to determine the cost efficiency of maintaining roads for public use. Unfortunately, public information on the amount of road kilometres for each community is not readily available, and where it is available there is insufficient information on the split of paved road versus gravel road. MBR's roads are 100% gravel, but for this performance measure to be used comparatively the data for paved kilometres and gravel kilometres would need to be available from the other municipalities, as the cost of maintaining a paved road is significantly higher than that of a gravel road.

In absence of the kilometre data, the total cost related to road transportation expenses for each municipality is included in Table 2. The total annual cost of road maintenance is relatively similar across municipalities, with MBR spending the least in 2020 at \$2.5 million compared to the highest spender Lac Du Bonnet at \$2.8 million.

Table 2: Road Transport Expenses by Municipality

	2017	2018	2019	2020
Bifrost-Riverton	\$2,158,058	\$2,376,721	\$2,495,123	\$2,503,339
Lac Du Bonnet	\$2,486,784	\$2,618,048	\$2,729,736	\$2,777,708
Pembina	\$2,104,388	\$2,290,778	\$2,394,931	\$2,638,442
WestLake-Gladstone	\$2,922,237	\$3,038,732	\$2,850,570	\$2,652,987

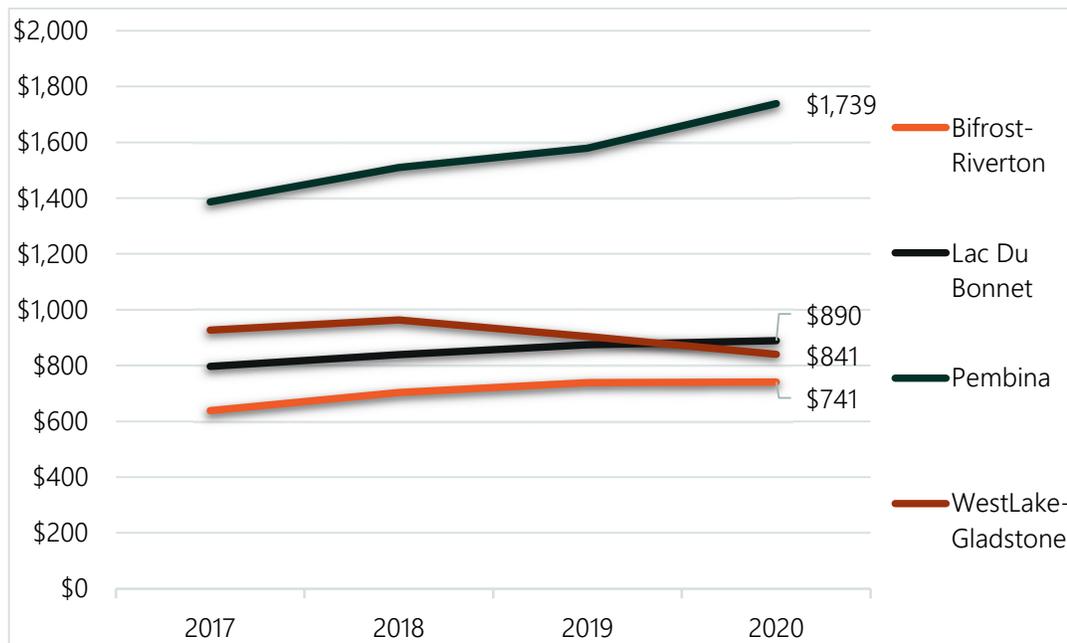
A companion performance measure for the winter months could be operating cost for winter maintenance of roadways per lane kilometre maintained.

Total Costs for Roads per Capita

Measuring road costs based on the number of kilometres of roads serviced would provide an optimal performance metric but calculating the total costs for roads per capita also provides valuable information. Figure 6 provides the annual cost of road maintenance per capita for each municipality based on 2016 Census population.

MBR is the best performing municipality by this metric, with residents paying on average \$741 per person to maintain all municipal roads in 2020, compared to \$841 for WestLake-Gladstone, \$890 for Lac Du Bonnet, and \$1,739 for Pembina. Pembina has the lowest population of the comparable communities which causes its rate to be much higher based on similar levels of spending. This result shows that even though MBR's transportation costs consistently comprise approximately 50% of the municipality's expenditures, ratepayers are spending less per capita than other the comparator municipalities on road maintenance. The cost difference between maintaining gravel and paved roads likely contributes to the variation between municipalities.

Figure 6: Road Transport Costs per Capita by Municipality



Recommendations

It is recommended that MBR re-establish a proper Transportation Services Committee (TSC) since transportation is the municipality's greatest expense. Council is responsible for the long-term planning of transportation, and it is currently not meeting a high level of accountability to taxpayers in terms of a fair and transparent process for road planning and maintenance.

The responsibilities of the TSC should follow the previous requirements under by-law 14-2018:

- i. To consider and report on all matters relating to municipal land, buildings and equipment, including their acquisition, maintenance and disposal;
- ii. To recommend to council at the beginning of each year such projects, works and matters under its control as it considers essential to be carried out during the year, together with their detailed cost;
- iii. Develop and/or monitor;
 - a. Annual work plan
 - b. Twenty (20) year road maintenance plan
 - c. Ten (10) year road construction plan
 - d. Ten (10) year drainage plan
 - e. Capital equipment plan
 - f. Ongoing monitoring of road design specifications and maintenance standards throughout the municipality.
- iv. To consider and report on all matters relating to municipal road openings, closings, altering, diverting and maintenance.

Membership for the TSC may include:

- 1) Members of Council

- 2) Members from the public
- 3) The Chairs of sub-committee(s) (if Drainage Committees are relegated)
- 4) The Public Works Manager.

The TSC should meet monthly at a minimum to update, monitor, and maintain long-term plans once established. Prior to the repeal of by-law 14-2018, Council was not completing the planning requirements and the CAO did not have the time. The TSC will establish the body of the plans (for example, prioritization of new roads and existing road maintenance, timing of projects and equipment purchases) and consult the CAO for assistance with the financial aspect of plans. Finalized transportation plans should be recommended annually to Council for approval, ideally prior to the municipal budgeting process so that transportation plans can be incorporated into the budget package.

The East and West Drainage Committees should be absorbed into the Transportation Services Committee. A subcommittee for drainage may be formed, but it should report all its findings and recommendations to the Transportation Services Committee to be included in the master ten-year drainage plan. Having two separate drainage committees is not efficient because it creates competing drainage priorities within the municipality. All potential drainage projects within the municipality should be prioritized based on a singular drainage budget.

Fire Services

Riverton-Bifrost Fire Department

The Riverton-Bifrost Fire Department (“RBF”) is a volunteer service dedicated to providing fire protection and emergency services to the community of Riverton-Bifrost and the surrounding area. The RBF shares regional responsibility for emergency services with the Arbog-Bifrost Fire and Emergency Services per the ward map in **Appendix A**. The RBF also provides emergency services to Hecla Provincial Park for a flat fee of \$30,000 per year. The RBF is governed by MBR and citizen representatives.

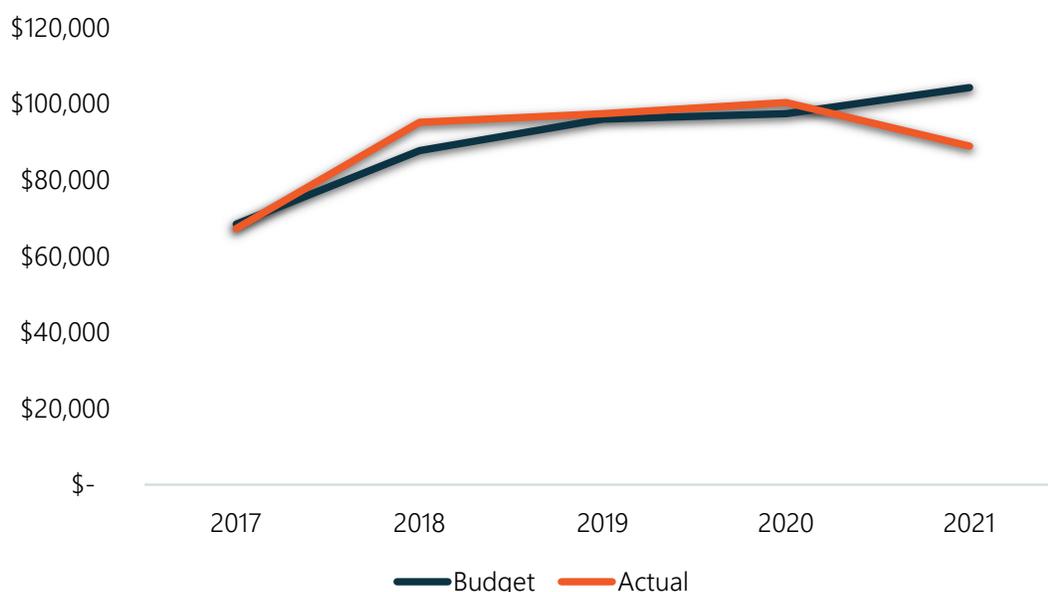
The municipal amalgamation in 2015 led to a decision to construct a new fire hall for the RBF. Construction for the new fire hall began in Summer 2021 with anticipated completion in Spring 2022. The RBF established a committee consisting of five (5) members to oversee the initiative. Four (4) appointed members and one (1) citizen representative make up the entire committee, whereas two (2) of the four (4) appointed members also oversee the overall strategic plan of the entire Fire Department. This committee has been given full control over construction change orders and decision making with the contractor.

By-Law 1-2021 allows for the borrowing of \$1,000,000 by MBR for the construction of the Fire Hall. A temporary line of credit was opened at Noventis Credit Union for \$1 million, and a debenture will be issued for the balance of the temporary advances on this line of credit upon project completion. MBR had borrowed \$605,394 on the line of credit at the end of December 2021. The by-law also established a general mill levy to service the debt, which will equate to a mill of approximately 0.35 starting in 2023.

The budget allocation to RBF has steadily increased from 2017 to 2020 as per Figure 7, growing from \$68,500 in 2017 to \$104,350 in 2020. Actual expenditures were relatively consistent with budget until 2021 with a budget

surplus of \$15,433. The draft operational budget for 2022 has increased to \$135,780 for operational expenditures.

Figure 7: Riverton-Bifrost Fire Department Expenditures, 2018 - 2021



Separate fire capital reserves for rural (Bifrost) and urban (Riverton) still exist post amalgamation, with balances of \$92,951 and \$214,066, respectively, at the end of 2021. All operating surpluses are transferred to the Riverton Fire reserve, in addition to the \$30,000 received annually from Hecla Provincial Park for providing emergency services. No contributions have been made to the Bifrost reserve since 2019. Table 3 details the usage of capital reserves related to the RBFD.

Table 3: Capital Reserve Functions Related to the RBFD

Reserve	Transfers In	Transfers Out
RBFD Capital Reserve (former Riverton Fire / urban reserve)	<ul style="list-style-type: none"> • RBFD operating surpluses • Proceeds from the sale of assets • Hecla Provincial Park emergency services revenue 	<ul style="list-style-type: none"> • Purchase of equipment. Council has primarily dedicated this reserve for future emergency services vehicle purchases for the RBFD
Bifrost Fire Capital Reserve (former rural reserve)	<ul style="list-style-type: none"> • No transfers in received since 2019. Lack of information for what previous transfers in related to 	<ul style="list-style-type: none"> • Last withdrawal was a contribution towards the Arborg-Bifrost Fire Department's equipment capital lease in 2019
Gas Tax Reserve	<ul style="list-style-type: none"> • Federal Gas Tax revenue 	<ul style="list-style-type: none"> • \$200,000 withdrawn towards the Fire Hall in 2021

Recommendations – RBFD

1. The consistent increase in the operating budget can be partially attributed to having two fire departments in the region. Economies of scale, such as a reduction in administration and training costs, could be achieved under a single emergency services department model in the region. This recommendation is further explored in the Performance Measures Review section.
2. The CAO should be more involved in the financial governance of the RBFD, as outlined in the recommended organizational chart in the Governance Review section. Currently, the Fire Chief is solely responsible for preparing and submitting annual operating and capital budgets to the RBFD Committee. The CAO can bring additional knowledge to the RBFD budgeting process as well as assist with the development of capital plans that are tied to a holistic view of the municipality's existing capital priorities and constraints.
3. Having two separate capital reserves is a holdover from municipal amalgamation to ensure the capital saved by each municipality prior to amalgamation would be used within the old jurisdictional areas. A new capital reserve should be established for the RBFD for all new reserve contributions. The existing reserves should be retired and depleted per the constraints outlined under by-laws 10-2017 and 11-2017.
4. With only the gas tax reserve being drawn upon for fire hall construction, it would be appropriate for Council to establish a special mill rate to service payments on the \$1 million long-term debt. This recommendation is further explored under the Mill Rates Review.
5. The Fire Hall Construction Committee should have to submit change orders to Council for approval as this is a financial decision impacting the municipal budget.

Arborg Bifrost Fire & Emergency Services

The Arborg Bifrost Fire and Emergency Services (ABFES) provides volunteer fire protection and emergency services to the Town of Arborg and the surrounding area. The ABFES Committee is composed of two (2) appointed members from MBR's Council and two (2) members from Arborg's Council and is tasked with managing the overall strategic plan of the Fire Department. The ABFES Committee has full operational control and decision-making for the department in conjunction with the Fire Chief and delegates. The administration of ABFES is shared between MBR and Arborg, with Arborg most recently taking control of administrative duties and the ABFES capital reserve. The ABFES capital reserve had a balance of \$157,499 at the end of 2021 that MBR transferred over to Arborg in 2022.

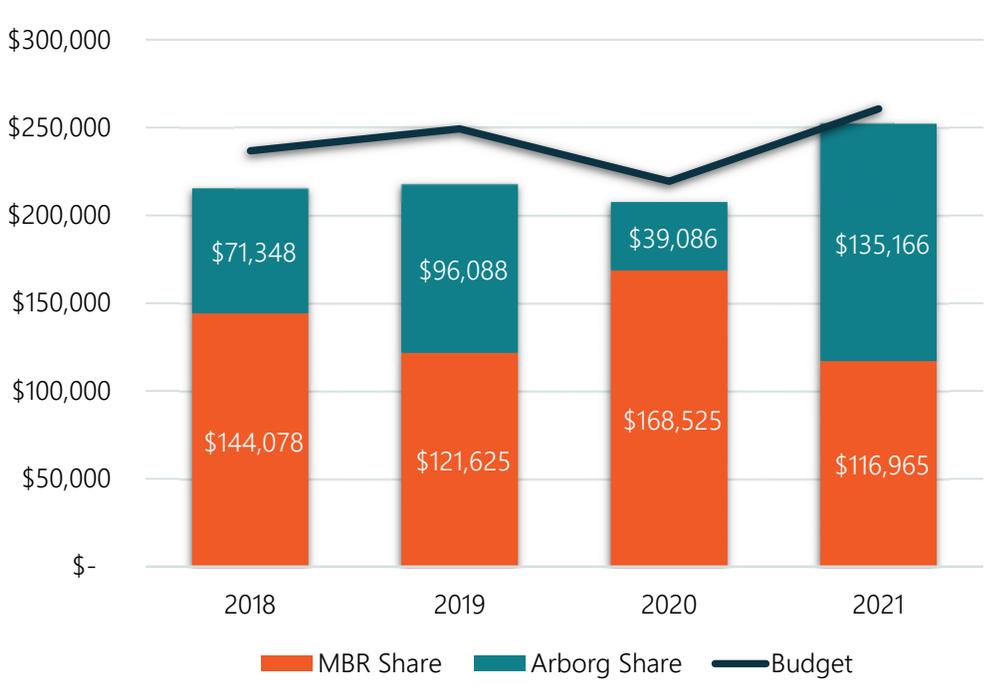
Municipal By-law 20-2017 states that operational costs for ABFES shall be shared on a 45/55 basis between Arborg and MBR, respectively. Figure 8 provides the share of department expenditures for each municipality from 2018 to 2021. The department has finished under budget each year. However, the budget has increased from \$236,799 in 2018 to \$260,756 in 2021. The municipal share of department expenses changes annually as each municipality is responsible for the response wages for calls within its jurisdiction, hence the actual cost will not always reflect a 45/55 split after each community has been allocated their respective response wage expense. While MBR's share hit a low in 2021, for 2022 ABFES has requested \$170,000 from MBR, a 43% total increase from MBR's budgeted share of \$118,300 in 2018 (annualized growth of 11%).

Capital expenditures are split on a 50/50 basis between the municipalities. However, Arborg has stated that they will not pay for any capital expenditures that will not be used for protective services in the township. For

example, the planned purchase of a wildfire truck is expected to be paid for 100% by MBR as wildfires only occur in the rural areas within MBR’s jurisdiction.

A pumper truck was purchased for ABFES in 2021 with MBR contributing \$240,000 to the purchase, funded by borrowing. By-law 1-2022 allows for a 0.487 general mill levy for 3 years from 2022-2024 to service the debt on the capital purchase. Now that ABFES has a pumper truck, the Rbfd has also requested a pumper truck be purchased for its own operations.

Figure 8: Share of ABFES Department Expenditures, 2018 – 2021



The responsibility between the ABFES committee and the municipalities is not clearly communicated among parties. This miscommunication creates a conflict in the strategic planning and operation of the fire department. Anecdotal evidence from consultation points to Committee members interfering with decisions in financial, operations, and human resources as well as micromanaging the decisions made by the Fire Chief including making the decision to end generating rental revenue from the fire hall’s boardroom.

ABFES is established through by-law 20-2017, which established the ABFES Committee consisting of two (2) members of Council from the Town of Arborg and two (2) members of Council from MBR. The by-law states that the Committee shall supervise and manage of ABFES. However, the by-law also states that the Committee shall report back to the member municipalities and make recommendations as are necessary for the proper and effective operation of the ABFES. This creates confusion as to who has ultimate budgetary authority over the department. For 2022 budget proceedings, Arborg unilaterally approved the ABFES budget and told MBR that a joint Council meeting was not necessary.

There are also deficiencies with how the budget is developed. Currently, the CAO of Arborg develops a draft budget in their role as the secretary/treasurer of the Committee. The draft budget is then shared with the Fire Chief who will justify the allocated expenses and expand on expenditures deemed necessary. The Committee

then recommends the budget to Council for adoption. The CAO for MBR is excluded from the budgeting process, causing a deficiency in the holistic budgeting process for the municipality.

Recommendations – ABFES

- 1) As department expenditures are shared, the CAOs from each municipality should be providing budget advice and municipal constraints to prevent the budget from continually increasing at an unsustainable rate.
- 2) MBR Council should be taking steps to ensure it has a say in the approval of the ABFES budget since it is a 50-50 partner in the organization. MBR's appointed member on the ABFES Committee should be pushing to have the budget reviewed by MBR Council prior to Arborg approving the budget without a joint session.

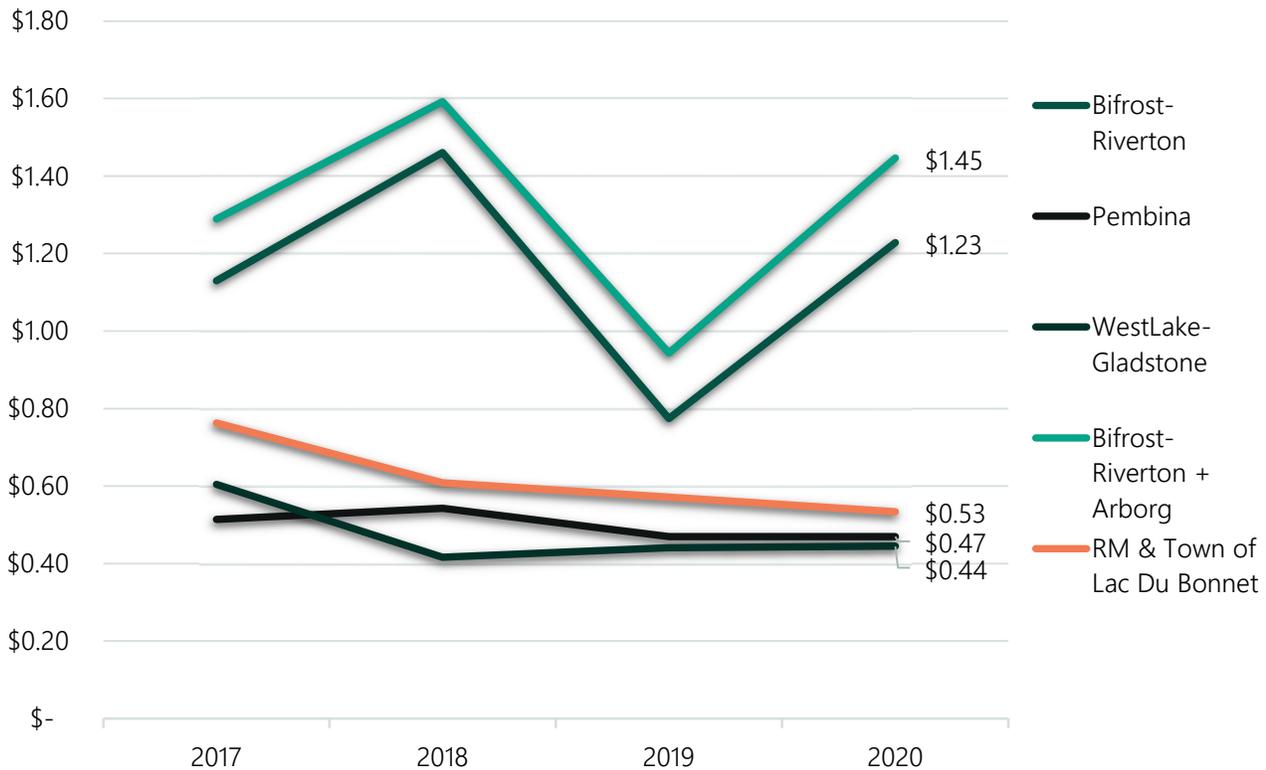
Fire Services Performance Measures

Total Costs for Fire Services per \$1,000 of Assessment may be used as a primary indicator in determining the cost efficiency of delivering fire protective services to a municipality. This metric is calculated by taking the total cost listed as "Fire" under the Protective Services account grouping and dividing by the annual portioned property assessment.

Figure 9 shows the fire services per \$1,000 of assessment for the comparative communities. An additional unit of observation has been added for MBR and Arborg combined, as the cost and service sharing agreement for ABFES should be considered for a full understanding of the cost of fire services in the region. Additionally, the RM of Lac Du Bonnet shares a single fire department with Town of Lac Du Bonnet, with the RM funding 77% and the Town funding 23%. The analysis consolidates the fire costs and assessment values for both Lac Du Bonnet municipalities.

The results show that the cost of fire services in MBR is consistently higher than the comparators. When combined with Arborg the cost is even higher, \$1.45 per \$1,000 in assessment value in 2020. Part of this variance can be explained by MBR's use of fire department operating surpluses for capital reserves. However, even if capital considerations were excluded MBR would still exhibit higher costs. Each other municipality reviewed is providing fire services at a lower cost to a higher assessed tax base when compared to MBR. Based on our analysis, most fire services costs are fixed and would not be significantly affected by volume of calls.

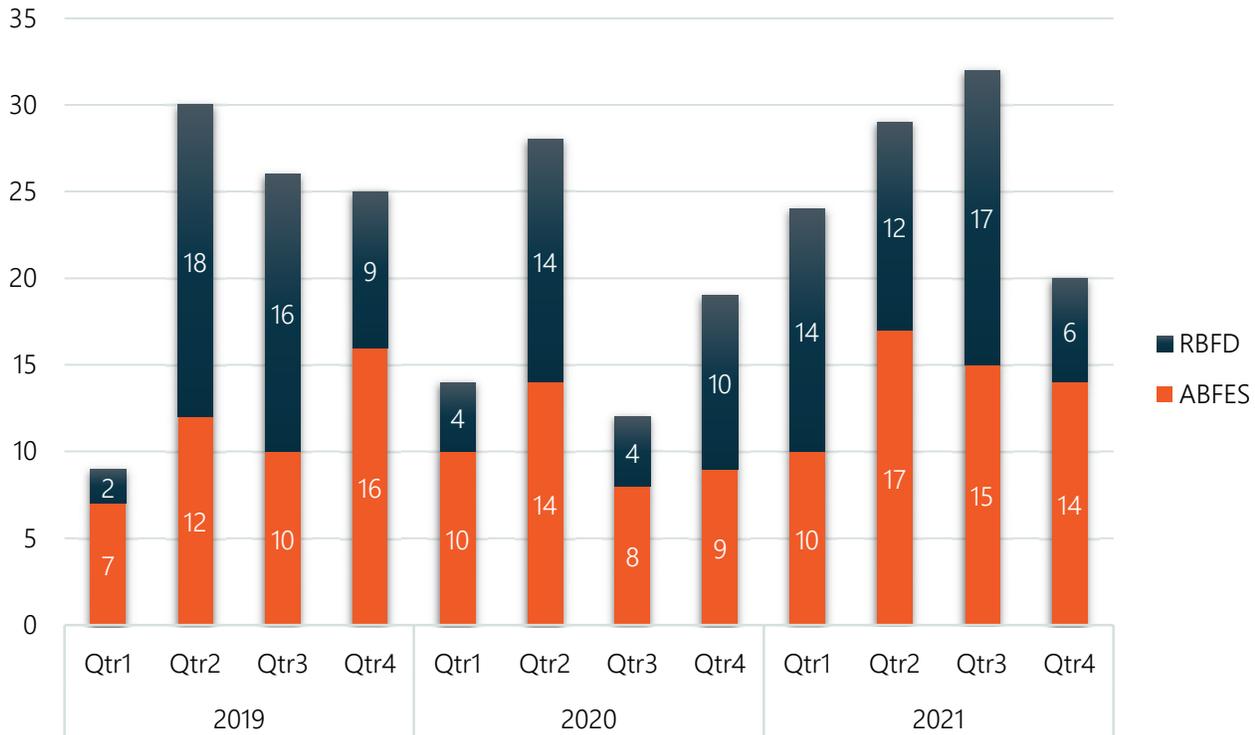
Figure 9: Fire Services per \$1,000 of Assessment



Lac Du Bonnet is a good example of a community in the same situation as MBR and Arborg. The RM of Lac Du Bonnet surrounds the Town of Lac Du Bonnet, but the two municipalities share the same Fire Department. There is only one Fire Chief and two deputies, and the municipalities have entered into a cost sharing agreement for service delivery to the entire region.

A companion performance measure for Fire services could be the number of residential structural fires per 1,000 households. More detailed tracking of service call types would need to be done by each fire department to complete a comparative analysis. Service call counts have been compiled based on payroll data for both RBFD and ABFES. These include calls for fires (structural, brush, vehicle, etc.), alarm response, vehicle accidents, and other various reasons. Over the period of 2019 to 2021 the RBFD responded to an average of 42 calls per year, compared to an average of 47.3 calls for the ABFES.

Figure 10: Service Calls by Fire Department, 2019 to 2021



The data received for type of call is incomplete for several quarters, but points to approximately 25 to 40% of all service calls being a response to an actual fire.

Findings – Overall Fire Services

The increasing costs of the two fire departments are constricting MBR’s operating budget and the Council is being slowly deprived of its budgetary control, as evidenced from the following report findings:

- Rbfd’s operating budget increasing 98% over 5 years (\$68,500 in 2017 to \$135,780 in 2022);
- MBR’s share of ABFES’s operating budget increasing 44% over 4 years (\$118,300 in 2018 to \$170,000 in 2022);
- Rbfd’s new fire hall taking on \$1 million in new borrowing and depleting \$200,000 from the gas tax reserve;
- ABFES recent borrowings for a new fire truck and equipment capital lease;
- Performance measures indicate that MBR and Arborg have the highest fire services cost per \$1,000 of assessed property value of the comparator municipalities. In 2020, the combination of Arborg and MBR had a cost of \$1.45 per \$1,000 of assessment compared to an average of \$0.48 for the reviewed comparable communities.

Recommendations – Overall Fire Services

An obvious, but potentially politically inconvenient, solution is to merge the two separate services into a single fire department. This would reduce costs related to leadership wages, administration, and training, and enable

better sharing of resources between the separate fire halls and volunteer crews. The merged Fire Services could be modelled after the Lac Du Bonnet system, with ABFES and Rbfd mergings into a single service provider with multiple fire halls and Deputy Fire Chiefs. This is likely the most advantageous financial outcome for both municipalities but would require the political will to propose a merger from both Councils and work towards maintaining any perceived loss of community identity. Additional public consultation and analysis of costs and logistics would be required to further explore this option.

Aside from a merger of fire departments, there is little MBR can do to claw back from the new normal it has established with the Rbfd budget over the past 5 years, but the following can help with capital costs:

1. Establish a sharing agreement between ABFES and Rbfd to share equipment on an optimal use basis. For example, rather than purchasing a new pumper truck for Rbfd, the sharing agreement would allow for the Rbfd to call ABFES for situations where existing fire truck functionality is insufficient and a pumper truck is warranted. MBR would then reimburse ABFES for the costs associated with the response. The municipalities are already doing this by reimbursing the labour for ABFES's calls within MBR territory, but this would be specific to the use of the pumper truck. Given the historical call numbers of around 10-20 calls for active fires per year in each fire department, a single pumper truck should be sufficient for the region. Having each fire department trying to keep up with the other only further hurts the ratepayers in the region.
2. Continue allowing the Rbfd to transfer operating surpluses into its capital reserve. However, any year ending in a material surplus should indicate to the committee that there is no need for an increase to the operating budget. The Rbfd finished 2021 with a \$15,500 operating surplus, and yet requested a \$51,890 (58%) increase in 2022. It is questionable why the department requires a 58% operating increase when emergency services were delivered satisfactorily in 2021. Council should conduct a further review of the increase in budgeted operating costs and determine why fire services in MBR cost 200% more per \$1,000 of assessed property than comparable municipalities.

Parks and Recreation Services

Riverton-Bifrost Parks and Recreation Commission

The Riverton-Bifrost Parks and Recreation Commission (RBPRC) is a not-for-profit organization responsible for the recreation and leisure facilities and programs for the community of Bifrost-Riverton. The RBPRC is responsible for the operation of a community hall, a curling rink, an arena, softball diamonds, and soccer fields. The RBPRC also offers a diverse selection of programs that provide positive recreational experiences in the community. The common programs held in Riverton are Summer Day Camp, dance classes, Yoga classes, cooking classes, curling, recreational hockey, and minor soccer.

The RBPRC Committee is appointed by the Reeve and is composed of two (2) members of Council and three (3) citizen representatives. Subcommittees were also created to handle specific responsibilities for each facility including the Riverton Curling Club, the Riverton Memorial Arena, and the Riverton Hall. MBR's Council has fully delegated all responsibilities related to Parks and Recreation to the RBPRC including financial planning, operations, and programming.

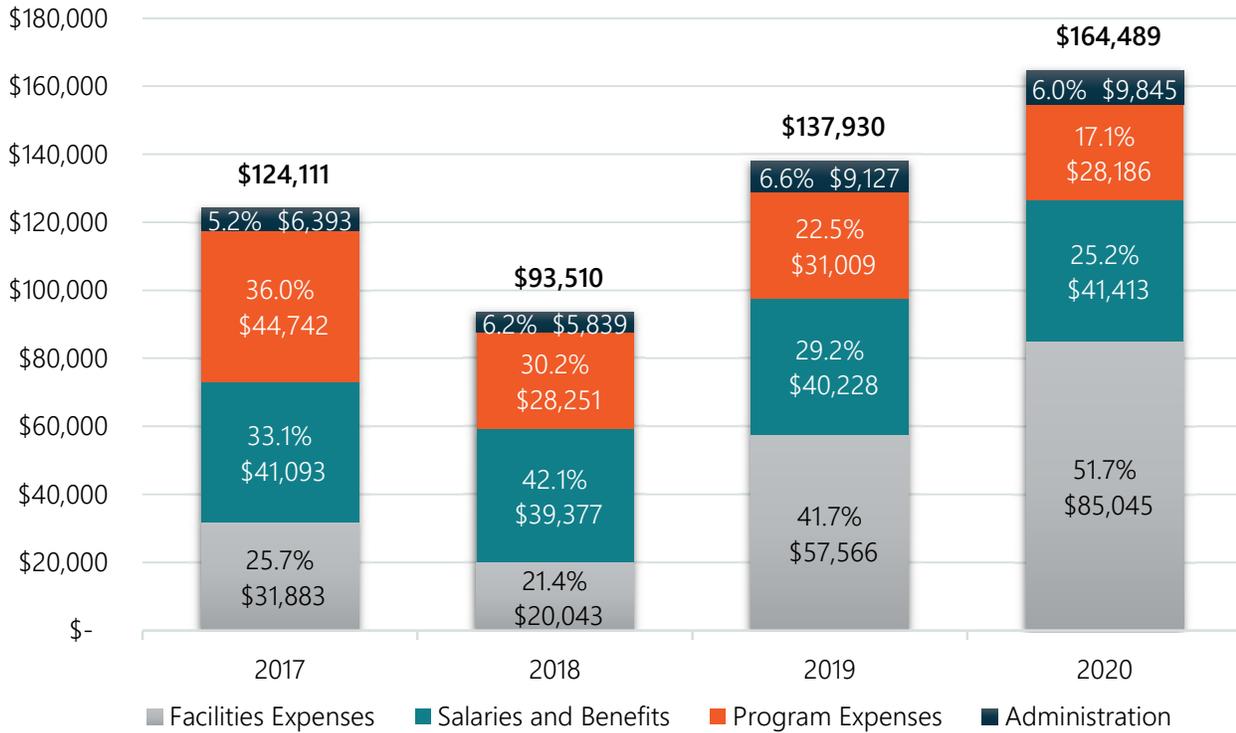
MBR provided the RBPRC with \$113,500 in funding in 2021. The RBPRC’s funding budget from the municipality has increased to \$133,000 in 2022. The RBPRC also generates income from operations. Other revenues totalled \$37,440 in 2019, but these dropped to \$18,302 in 2020 due to the COVID-19 pandemic. Table 4 provides a summary of the RBPRC’s audited results from 2017 to 2020.

Table 4: RBPRC Summary of Revenues and Expenses, 2017 to 2020

	2020	2019	2018	2017
Revenue	\$116,347	\$126,492	\$112,917	\$107,875
Expenses	\$164,489	\$137,930	\$93,510	\$124,111
Net Income/Loss	(\$48,142)	(\$11,438)	\$19,407	\$16,236

Figure 11 outlines the RBPRC’s actual expenditures by type from 2017 to 2020. Expenses have seen a steady increase since 2018 from a low of \$93,510 to a high of \$164,489 in 2020 due to the increased cost of operating and maintaining recreation facilities. The RBPRC leverages volunteers for operating programs and recreational activities mitigate salary expense. Salaries and wages for paid staff have remained relatively consistent at approximately \$40,000 annually. The cost of program delivery has fallen from a high of 36.0% of the RBPRC’s budget in 2017 to a low of 25.2% of the budget in 2020. This is partially due to the pandemic, but the increasing cost of maintaining the aging facilities is significantly hindering the RBPRC’s ability to deliver quality programs to ratepayers.

Figure 11: RBPRC Expenditures by Expense Type, 2017 - 2020



A facility condition assessment was completed in March 2021 as part of the recreation master plan for Arborg and Bifrost-Riverton. The results of the assessment show that the facilities managed by the RBPRC require \$932,100 in capital improvements over the next 10 years, including \$96,300 in recommended improvements within 2 years and \$825,800 within 5 years (Figure 12). The Memorial Arena requires the most upgrades at an estimated cost of \$601,000, which includes a full replacement of the mechanical ice plant that is more than 30 years old and beyond its expected useful life.

Figure 12: Facilities Assessment Improvement Estimate for RBPRC Managed Assets



The RBPRC’s issue of a lack in long-term facilities planning existed prior to the pandemic. However, the pandemic highlighted the lack of planning from the committee as expenses for facilities maintenance continued to increase at an unsustainable rate. The municipality has not established capital reserves specifically for recreation capital, leaving the RBPRC with uncertainty regarding the funding of these capital improvements.

The RBPRC’s subcommittees for the Curling Club, Arena, and Community Hall each receive a portion of the annual municipal funding. The lack of Council oversight of the subcommittees adds a burden to the existing financial planning issue. Subcommittees have approved projects without securing financing which then accounts for unbudgeted spending on initiatives. Subcommittees should not have the authority to make spending decisions for unbudgeted projects.

The CAO believes that the operations of the RBPRC could be better managed in-house, whereas multiple members of Council believe that the current status quo, relying heavily on volunteers, is preferable and reduces cost. There are merits to both a volunteer-run and staff-run recreation services model. The recreation master plan advocates the continued use of volunteers for a financially viable recreation service but also recommends certain activities such as debt management be uploaded to municipal staff.

Recommendations - RBPRC

1. The committee (or asset management subcommittee) should be responsible for developing a minimum 10-year capital investment plan to be recommended to Council on an annual basis. The plan should

address the capital improvements identified in the Recreation Master Plan and provide recommendations for hitting capital fundraising targets;

2. A capital reserve for recreation should be established to help pay for the cost of capital improvements over the next 10 years and onwards. This recommendation is further detailed under the Analysis of Reserve Funds sections;
3. Given the current financial status of the RBPRC, it is appropriate to continue emphasizing volunteer labour for recreation programming, but more financial management should be a collaborative effort between the RBPRC and MBR Administration;
4. As stated in the Governance Review section, MBR owns all recreation property, thus more control should be exerted by providing approval for all capital purchases requested by the RBPRC. Council should be taking greater control of recreation spending decisions since MBR owns all municipal assets managed by the RBPRC and funds over 70% of the RBPRC's revenue.

Arborg Bifrost Parks and Recreation Commission (ABPRC)

The Arborg Bifrost Parks and Recreation Commission (ABPRC) oversees the partnership between the Municipality of Bifrost-Riverton and the Town of Arborg to utilize shared recreational facilities and activities between the two communities. The ABPRC is led by one (1) appointed committee member and three (3) citizen members who are responsible to oversee the development and monitoring of strategic plans.

The ABPRC receives annual grant funding from the Municipality of Bifrost-Riverton and from the Town of Arborg. The municipalities split funding of the ABPRC on a 50-50 basis, with each providing \$135,000 in funding in 2020 for total local grant funding of \$270,000. The ABPRC's 2022 budget request to MBR is \$200,000, which consists of \$172,900 for 2022 operations and \$27,000 to replenish the ABPRC's cash after maxing out their line of credit in 2021.

Revenue from operations such as rental, fundraising, admission, and concessions have all been declining since 2017, and changes in COVID restrictions have magnified the declining activity where rental revenue is down by 43.7%, fundraising is down by 58.7%, admission is down by 18.9%, and concession is down by 43.4%.

Even with funding from the two municipalities and an increase in other grant funding, the ABPRC has been experiencing a net deficit since 2018. Although this decline could be seen as related to declining activity related to the pandemic, it cannot be the sole contributor because the pandemic would have only started to affect results in 2020.

Salary and benefits remain relatively constant year over year, comprising 37% of operating expenditures. In comparison, the RBPRC's percentage of wages of total expenditures was 25% and 29% in 2020 and 2019, respectively.

Table 5: ABPRC Summary of Revenues and Expenses, 2017 to 2020

	2020	2019	2018	2017
Revenue	\$633,962	\$636,870	\$651,727	\$725,143
Expenses	\$661,043	\$694,064	\$676,156	\$694,762

Net Income/Loss	(\$27,081)	(\$57,194)	(\$24,429)	\$30,381
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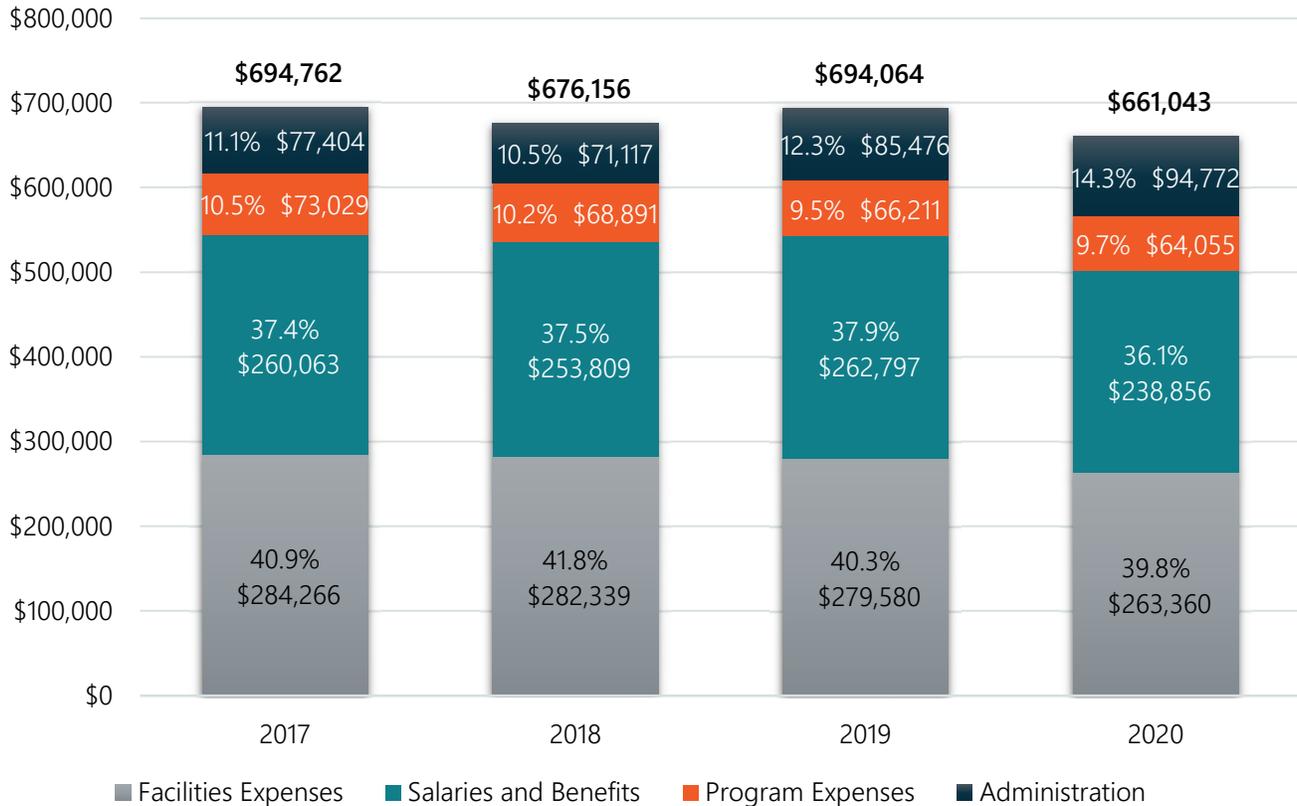
As a result of the continued operating losses, the ABPRC’s net debt position increased to \$288,664 by the end of 2020 (Figure 13).

Figure 13: ABPRC Net Debt Position, 2017 to 2020



Figure 14 outlines the ABPRC’s actual expenditures by type from 2017 to 2020. Total expenses remained relatively flat in the range between \$661,043 to \$694,762 over the four-year period. There has also been no material shift in spending by category. Even with the pandemic, salaries and benefits in 2020 were still 36.1% of the ABPRC’s total spending, down from 37.9% in the year prior.

Figure 14: ABPRC Expenditures by Expense Type, 2017 – 2020



The facility condition assessment shows that the facilities managed by the ABPRC require \$1,224,020 in capital improvements over the next 10 years, including \$574,820 in recommended improvements within 2 years and \$479,200 within 5 years (Figure 15). The Arborg & District Arena requires the most upgrades at an estimated cost of \$819,150, which includes a full replacement of the mechanical ice plant and replacement of the electric central distribution panels.

Figure 15: Facilities Assessment Improvement Estimate for ABPRC Managed Assets



In June 2021, MBR submitted a formal request to Arborg Council to opt out of the ABPRC pursuant to section 15 of by-law 6-91. MBR requested an official opt out date of December 31, 2021. However, Arborg requested an extension on December 8, 2021, and proposed a new Shared Services Agreement in April 2022 related to the establishment of a new Parks and Recreation Committee. The new shared services agreement proposed by Arborg would be effective January 1, 2023, and includes the following requests:

- Operational costs will be shared 50:50
- Capital expenditures will be shared 50:50
- Surpluses and deficits are shared 50:50
- MBR receives 1 appointed seat on the Committee

The proposal fails to address or rectify any of MBR’s concerns that led the municipality to its decision to opt out of the original agreement, and in fact reduces MBR’s ability to oppose capital purchases for which it is providing 50% of the funding. MBR’s CAO has hired a lawyer to assist with a counterproposal to Arborg.

While negotiations over control of future recreational services for the region is still ongoing, the ABPRC’s 2022 operating budget request to MBR was \$172,900, an increase of 28% over 2021 (\$135,000).

Recommendations – ABPRC

- 1) MBR has correctly recognized that Arborg’s proposal for the future of the ABPRC and recreation funding in the region is unfair to MBR’s ratepayers. Through ongoing negotiations MBR must attempt

to re-establish some level of fiscal control over its contributions to the ABPRC that does not involve continuing to fund annual operating deficits. The Councils of both municipalities need to rein in spending increases and direct the ABPRC to focus on revenue improvement, which may involve increasing fees for rentals, program admissions, and concessions;

- 2) For future planning, MBR or Arborg should establish a capital reserve for the ABPRC, with both municipalities agreeing to contribute annually to pay for future capital improvements. Large capital projects such as the replacement of the ice plant should have a fundraising drive managed by the ABPRC.

Parks, Recreation, and Cultural Performance Measures

There are multiple useful performance measures for parks, recreation, and cultural costs, including:

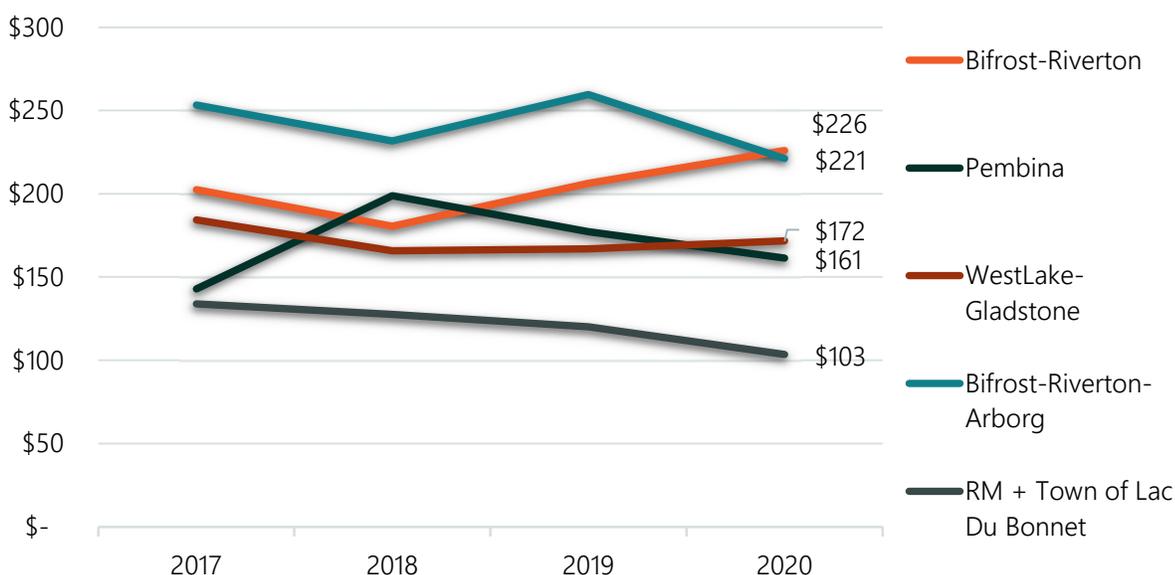
- Total operating costs for parks per person
- Total operating costs for recreation programs per person
- Total operating costs for recreation facilities per person
- Total operating costs for recreation programs, facilities, and parks per person
- Total kilometres of trails (total and/or per 1,000 persons)
- Hectares of municipally owned open space (total and/or per 1,000 persons)
- Total participant hours for recreation programs per 1,000 persons
- Square metres of indoor recreation facilities (municipally owned) (total and/or per 1,000 persons)

Due to differences in how each municipality classifies accounting entries for recreation and cultural expenses, this analysis focuses solely on total operating costs for recreation programs, facilities, and parks per person. The objective of this performance measure is to determine the cost efficiency of the parks and recreation programs and facilities in delivering services and experiences to the public. This performance measure is calculated based on the annual total cost for recreation and cultural services divided by the population (based on 2016 Census).

Figure 16 displays the cost of recreation and cultural services per person in each municipality. Again, as MBR and Lac Du Bonnet share these services with a separate town within their municipal boundaries it is appropriate to show the combined result for Bifrost-Riverton-Arborg and the combined RM and Town of Lac Du Bonnet.

The result shows that MBR had the highest cost at \$221 per person in 2020, an increase from a low of \$180 per person in 2018. The shared costs of MBR and Arborg were the highest of each reviewed municipality, reaching as high as \$260 per person in 2019. In comparison, the other municipalities averaged \$155 per person in recreation and cultural spending over the four-year period.

Figure 16: Recreation and Cultural Costs per Person



Recommendations – Overall Parks and Recreation

The Recreation Master Plan developed in 2021 provides numerous recommendations that would improve the recreation services, funding models, and cost budgeting for the BRPRC and the ABPRC. A central finding of the Master Plan is that there needs to be more collaboration between the two commissions. The commissions should work together under a regional approach rather than the current local approach.

Both recreation commissions require significant capital improvements over the next 5 years; an estimated \$922,100 for the RBPRC and \$1,054,200 for the ABPRC. MBR should take the following steps to ensure it is able to fund the capital improvements:

1. Establish a “Recreation Capital Reserve” fund. Potentially options for fund sourcing include:
 - a Direct revenue from other sources to recreation capital. MBR previously redirected the BAR Waste lease revenue to the ABPRC. A similar arrangement could be made through other fee increases. For example, this report recommends fee increases to grass cutting and dust control services. The increase in administration fees could be advertised to the public as a direct investment in recreation services;
 - b Increase registration fees for recreation programming. All registrations could have an additional “facility renewal” fee added that would be directed to the capital reserve;
 - c The establishment of a special reserve tax levy or mill.

B.A.R. (Bifrost Arborg Riverton) Waste Authority Co-op Inc.

The B.A.R. Waste Authority Co-op Inc. (BAR) operates a disposal landfill located southeast of Arborg. BAR is comprised of 3 committee members; two (2) members by appointment, and one (1) citizen member to oversee strategic planning for the organization.

In 2017, BAR initiated an expansion of the waste disposal landfill as the 8 hectares of land reached its capacity after two decades. The landfill extended two new waste cells, an additional evaporation pond, and the extension of the access road. Currently, there is one active cell and three closed cells.

BAR collects user fees from MBR and the Town of Arborg as per Figure 17. MBR's share of user fees has increased from 62% in 2017 to 79% in 2021. The current 2022 budget proposal from BAR submitted to Council has requested \$96,000 in operating funding from MBR, a 34.4% increase over 2021.

Figure 17: BAR Waste User Fees by Municipality



Another source of revenue for BAR is the lease of 110 acres of municipal land at \$93 per acre, expiring December 2022. The lease generates annual revenue of \$10,200. The land will soon need to be used for expansion of landfill cells. Prior to leasing the land privately, BAR allowed ABPRC to utilize volunteers to plant and harvest a crop on the land and use the resulting proceeds to pay down recreation debt. This program was difficult to administer due to the coordination of volunteer time and equipment and incurring commodity risk, thus the BAR committee ended the agreement and opted for a private lease, with ABPRC losing the income stream.

A landfill expansion was completed in 2021 at a cost of \$550,000. The cost was split 67% MBR and 33% Arborg per share ownership in the cooperative. MBR used \$350,000 from its gas tax reserves to pay for its share of the capital costs of the expansion.

The CAO of MBR prepared plans to dissolve BAR in 2021 upon completion of the landfill expansion project based upon requests set by the previous Council during the initial planning for the expansion. The original plan was to dissolve BAR and for MBR to assume control of all landfill operations and have Arborg pay usage fees. However, upon presenting the initial dissolution planning to the BAR Committee in 2021 the CAO was met with resistance and the Committee ultimately decided to continue operating under the existing model.

BAR Performance Measures

Table 6 provides a summary of BAR's audited revenue and expenditures for 2017 to 2020. Revenue in 2020 was down by 1.9% while expenses were down by 5.8%. Even with a slight decrease in expenses, BAR recorded a deficit of \$12,387 in 2020, an improvement from a deficit of \$21,626 in 2019.

Table 6: B.A.R. Waste Authority Summary of Revenues and Expenses, 2017 – 2020

	2020	2019	2018	2017
Revenue	\$199,104	\$202,934	\$219,130	\$191,648
Expenses	\$211,491	\$224,560	\$167,232	\$189,485
Net Income/Loss	(\$12,387)	(\$21,626)	\$51,898	\$2,163

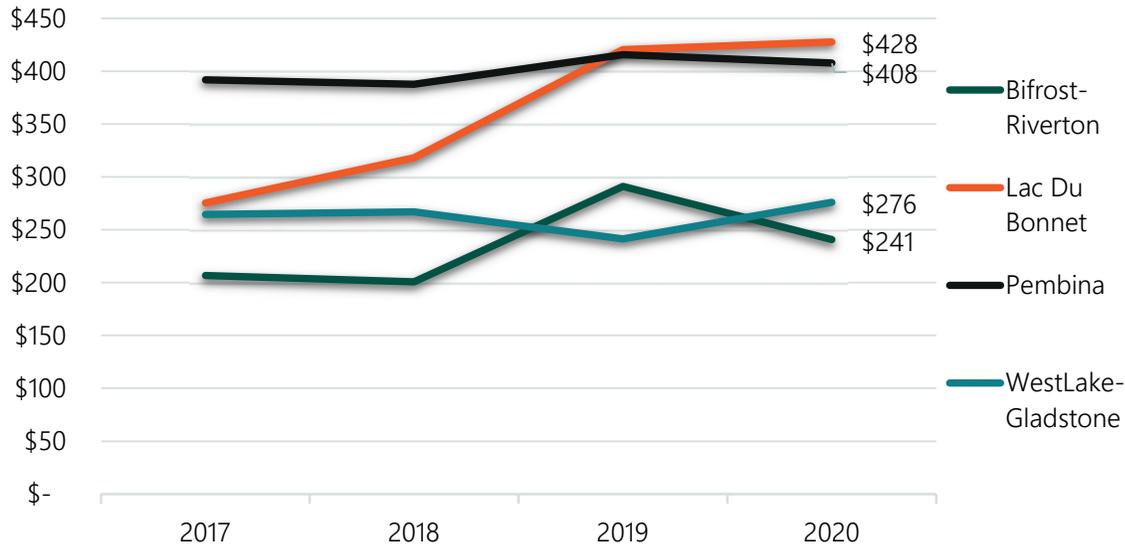
Total costs for solid waste management per household is an appropriate performance measure to determine the cost efficiency of the solid waste management system. The performance measure is calculated by adding waste collection and disposal costs and recycling costs and dividing by the number of households. In this case the number of households used is based on the 2016 Census results for the number of private households in each municipality. However, it should be noted that while this puts each community on a like-to-like comparison, the census results may provide an overcount as not every household receives waste collection service in each community.

Figure 18 provides the results of the total waste collection and recycling cost per household for each municipality. In 2020 MBR had the lowest cost per household at \$241, showing services are being delivered at an efficient cost to residents.

There are multiple other companion performance measures that could be used for evaluating solid waste management in a municipality, including:

- Annual number of complaints received concerning solid waste collection per 1,000 households;
- Percentage of residential solid waste diverted for recycling.

Figure 18: Total Waste Collection and Recycling Cost per Household by Municipality



Recommendations

As MBR already pays most of the operating expenses and provides administrative services to BAR, including payroll, there could be cost and efficiency gains from assuming full control of landfill operations. Table 7 outlines the benefits and drawbacks of bringing the landfill fully under MBR’s control versus continuing with the existing model.

Table 7: Benefits and Drawbacks of Municipal Controlled Landfill vs. BAR Co-Op Model

Municipal Controlled Landfill	BAR Co-Op Model
<p>Benefits</p> <ul style="list-style-type: none"> • Single Council authority • Single budget approval process • Budget surpluses stay with the municipality 	<p>Benefits</p> <ul style="list-style-type: none"> • Shared revenue and expenditures. Both parties share in budget surplus or deficit • Sharing of capital costs reduces capital expenditures for each party
<p>Drawbacks</p> <ul style="list-style-type: none"> • No capital cost sharing • Budget deficits stay with the municipality 	<p>Drawbacks</p> <ul style="list-style-type: none"> • No single Council authority • Committee required to recommend operational and budgeting decisions to multiple Councils for approval • Complex bookkeeping required to determine annual share of surplus or deficit

Neither model is necessarily better than the other, and there are political considerations to be made regarding maintaining a positive relationship between MBR and Arborg. MBR controls 2/3 of the shares of the

organization and under a typical corporation it would be within their legal right to choose to dissolve the Co-Op but doing so may damage the MBR Council's relationship with Arborg's Council.

Assuming BAR continues to operate under the current model, there are several recommendations that could be implemented to improve financial reporting and operational cash management:

- 1) A new revenue and cost sharing agreement should be put in place through a municipal by-law adopted by MBR and Arborg. No written agreement could be located for the current revenue and cost sharing model, which leaves the calculations under the current model open to interpretation by the CAOs of each municipality. The new agreement must detail how certain accounting items should be treated. Several items that should be considered under the agreement may include, but are not limited to:
 - a. Under the current model revenue and expenditures are split based on the annual dumping rate by municipality. In 2021 the dumping rate was 75.9% MBR and 24.1% Arborg. The new agreement should establish the appropriateness of this metric for cost sharing and establish the proper method of calculating the dumping rate;
 - b. Whether credits should be issued based on accounting surpluses or cash surpluses, per recommendation #2;
 - c. The amount that each municipality commits to capital reserves for BAR annually, per recommendations #3 and #4.
- 2) In the past, credits have been issued to the municipalities for an annual accounting surplus when BAR was in a cash deficit due to non-operating expenditures, such as interest expenses on BAR debt or application of prior year credits. For example, at the end of December 2020 BAR recorded a (\$12,387) deficit on its audited financial statements and its bank reconciliation showed a cash deficit of (\$15,291). The only reason BAR's bank account did not go into overdraft or tap into the line of credit is because MBR held back on depositing \$27,712 in payments from BAR to the municipality. With this cash deficit in mind, BAR still issued \$25,151 in credits to the partner municipalities at the end of the year (\$16,800 for MBR and \$8,351 for Arborg). It is recommended that credits only be issued to the municipalities when BAR has the cash flow to meet its regular quarterly obligations, like how a corporation would pay dividends to shareholders;
- 3) The agreement should outline a commitment for an amount to be contributed annually by each municipality for landfill capital reserves, including for future expansion. Since there is currently no capital reserve held under BAR, MBR, or Arborg, the landfill expansion in 2021 used funds from MBR's gas tax reserve. The gas tax reserve in 2021 was significantly depleted (see Financial Statement Review section), leaving the municipality vulnerable against capital emergencies.

It is recommended that a capital reserve be established, with both municipalities committing to a certain percentage of annual BAR operating costs being transferred to the reserve. The agreement should establish whether a single reserve be established and administered by BAR, or if the municipalities establish their own reserves for future landfill capital needs. Using funds from the new reserve should require joint Council approval;
- 4) Manitoba legislation requires closure and post-closure care of solid waste landfill sites, which BAR (and thus the municipalities) will be responsible for carrying out. BAR's financial statements carried a liability balance of \$64,116 at the end of 2020 that represents the present value of future cash outflows related to closure and post-closure care. However, no reserves have been established by the municipalities to

account for this future liability. In fact, the municipalities have not funded the annual *landfill liability accretion expense* that increases the value of the closure and post-closure liability account (\$21,978 in 2020), another example of a non-cash expense contributing to BAR's deficit;

It is recommended that the annual budget for BAR include a line for the landfill liability accretion expense, with related contributions from MBR and Arborg being put into a reserve for future landfill closure costs. Absent this reserve, when the municipalities receive credits from BAR they are essentially improving today's budget at tomorrow's expense.

Financial Statement Review

Analyses of the Statement of Financial Position, Statement of Operations, and schedules of revenues, expenses, and reserve funds were conducted to assess the MBR's overall financial health. The reports examined comprise a four-year period (2017-2020). It should be noted that 2021 figures for were unaudited at time of this report's publication. As a result, 2021 figures were omitted from observation and analysis in most scenarios. The purpose of the analyses was to determine annualized changes per component and identify the potential main drivers of the changes.

Examinations of revenues and expenses compositions between Bifrost-Riverton and three similarly sized Manitoba RMs were conducted to determine if significant differences between Bifrost-Riverton and comparator municipalities exist. A four-year period (2017-2020) was used for the revenue and expense comparative analyses utilizing published audited financial statements.

Reserve funds were examined over five-year period (2017-2021). Bifrost-Riverton's reserve fund balances from the 2021 unaudited statements appeared to be aligned to prior years and were used for comparative analysis against the three comparator municipalities.

Statement of Financial Position

Bifrost-Riverton's financial assets and liabilities exhibit a year-over-year growth trend over the examined four-year period. Net financial assets declined in 2020, but the overall four-year average annual growth rate was 67.5%. This was mainly driven by a significant decrease in liabilities between 2016-17, however, even after normalizing 2017, the resultant three-year growth average in net financial assets is 30.4% annually. Non-financial assets have a growth average of 5.4% from 2017 to 2020. Accumulated surplus has a four-year growth average of 6.8%. Bifrost-Riverton was never in a deficit position throughout the examination period.

Table 8: Consolidated Statements of Financial Position for Years Ended December 31, 2017-2020

	2017	2018	2019	2020
Financial Assets	\$1,945,337	\$2,161,986	\$2,637,741	\$2,477,510
Liabilities	\$1,396,041	\$1,455,281	\$1,332,426	\$1,463,380
Net Financial Assets	\$549,296	\$706,705	\$1,305,315	\$1,014,130
Non-Financial Assets	\$12,628,560	\$12,699,981	\$12,553,178	\$13,669,341
Accumulated Surplus	\$13,177,856	\$13,406,686	\$13,858,493	\$14,683,471

Table 9: Annual Percentage Change in Financial Position 2017-2020

	2017	2018	2019	2020	4-Year Average
Financial Assets	(15.93%)	11.14%	22.01%	(6.07%)	2.79%
Liabilities	(34.06%)	4.24%	(8.44%)	9.83%	(7.83%)
Net Financial Assets	179.01%	28.66%	84.70%	(22.31%)	67.51%
Non-Financial Assets	13.43%	0.57%	(1.16%)	8.89%	5.43%
Accumulated Surplus	16.31%	1.74%	3.37%	5.95%	6.84%

Statement of Operations

The municipality has managed its revenues and expenses well within the period of study. Both revenues and expenses for Bifrost-Riverton are trending upwards over the four-year examination period. Revenues grew at an average of 4.8%, while expenses increased at an average rate of 1.1%. The lowest reported net income was the fiscal year ending December 31st, 2018, at \$228,830. Property tax revenues were at their lowest in the four-year sample. However, the municipality has not reported a net loss throughout the period under examination.

The municipality has never been in a deficit position throughout the five-year period. Accumulated surplus at year ends were reported to be over \$13 million and growing year over year at an average of 6.84% annually.

Table 10: Consolidated Statements of Operations 2017-2021

	2017	2018	2019	2020
Total Revenue	\$6,214,244	\$4,823,842	\$5,237,568	\$5,740,028
Total Expenses	\$4,366,757	\$4,595,012	\$4,785,761	\$4,915,050
Net Income	\$1,847,487	\$228,830	\$451,807	\$824,978
Accumulated Surplus	\$13,177,856	\$13,406,686	\$13,858,493	\$14,683,471

Table 11: Percentage Change in Operations Year Over Year 2017-2021

	2017	2018	2019	2020	4-Year Average
Revenue	23.22%	(22.37%)	8.58%	9.59%	4.75%
Expenses	(7.68%)	5.23%	4.15%	2.70%	1.10%
Net Income	489.79%	(87.61%)	97.44%	82.60%	145.55%
Accumulated Surplus	16.31%	1.74%	3.37%	5.95%	6.84%

MBR has fared the COVID-19 pandemic better than many other municipalities in Manitoba. A February 2022 article published by the AMM stated that municipalities experienced a collective operating loss of \$91.8 million in 2021 and have forecast a further \$53.3 million loss for 2022. More than half of the municipalities surveyed

expect it to take two to eight years to financially recover to pre-2020 levels, with the operations of recreational facilities and other public municipal buildings suffering most⁹.

Analysis of Revenues

Table 12 outlines the composition of total revenue by each source defined in the municipality's Schedule of Revenues while Table 13 illustrates the comparison between Bifrost-Riverton and comparator municipalities. The proportion of property taxes to total revenue appears relatively consistent from 2018 onwards and is in alignment with the RM's intent to keep taxes and mill rates low. In comparison to other RMs, the proportion of property tax revenue to total revenue appears to be aligned.

The contribution of user fees to total revenue has been on a trending decline starting in 2018 with a lower proportion of total revenue from 2019 onwards. The average proportion of revenue generated by user fees during the timeframe is approximately 7.43%. The main driver of the decline is less revenue generation from sales of service, accounting for over 97.50% of user fees on average. Sales of service began declining year over year in 2018. Sales of service totaled \$502,246 in 2017. In 2018, it decreased to \$417,557 or -16.9% then to \$337,445 or -19.2% in 2019. In terms of proportion of revenue compared to other RMs, Bifrost-Riverton appears to be in line with the others with the RM of Pembina as the outlier at an average proportion of 2.34%.

The slope of each revenue stream relative to total revenue was calculated to determine annual trends based on linear regression. Positive slope indicates the revenue component has been increasing by that percentage annually (based upon the "best fit" line through the data points). Negative slope indicates the revenue component has decreased by said percentage annually. Regression analysis shows the biggest impacts to total revenue are expected from property taxes and provincial funding. Under current conditions, property tax revenue contribution to total revenue has trended upward, increasing approximately 3.8% annually. Provincial government grant funding has seen the largest decrease, with its contribution to total revenue declining by -4.1% annually.

⁹ http://www.amm.mb.ca/download/news_releases/2022.02.25-AMM-News-Release-Municipalities-face-multi-million-dollar-losses-due-to-COVID-19.pdf

Table 12: Comparative Analysis - Percentage of Revenue Stream of Total Revenue

	2017	2018	2019	2020	4-Year Average	Slope
Property taxes	51.97%	69.10%	65.49%	65.73%	63.07%	+3.8%
Grants in lieu of taxation	1.81%	1.99%	1.87%	1.83%	1.87%	0
User fees	8.22%	8.86%	6.63%	6.01%	7.43%	-0.9%
Permits, licenses and fines	0.00%	0.00%	0.01%	0.00%	0.00%	0
Investment income	0.40%	0.78%	0.69%	0.49%	0.59%	0
Other revenue	3.95%	3.03%	6.34%	4.43%	4.44%	+0.5%
Water and sewer	0.36%	0.47%	0.78%	1.05%	0.67%	+0.2%
Grants – Province of Manitoba	28.47%	9.03%	9.13%	14.94%	15.39%	-4.1%
Grants – other	4.81%	6.72%	9.04%	5.51%	6.52%	+0.4%
Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	

Table 13: Rural Municipality Comparison - Revenue 2017-2020

	RM of Bifrost-Riverton	RM of WestLake-Gladstone	RM of Lac du Bonnet	RM of Pembina
Property taxes	63.07%	57.71%	61.88%	66.87%
Grants in lieu of taxation	1.87%	1.19%	4.62%	0.54%
User fees	7.43%	7.86%	8.22%	2.34%
Permits, licenses and fines	0.00%	1.31%	0.84%	0.01%
Investment income	0.59%	0.62%	1.80%	0.68%
Other revenue	4.44%	3.94%	6.13%	2.90%
Water and sewer	0.67%	17.01%	3.64%	14.32%
Grants – Province of Manitoba	15.39%	7.23%	7.88%	9.34%
Grants – other	6.52%	3.14%	4.98%	2.99%

Analysis of Expenses

The composition of total expenses is defined by the categories outlined in Table 14 in accordance with Bifrost-Riverton’s Schedule of Expenses. Table 15 illustrates average expenses by category across the comparator municipalities. Transportation services contribute to approximately 51.1% of total expenses. This appears to be in line with other municipalities. Road and street maintenance falls within this category, which is a significant activity in Manitoba due to the impact of extreme weather conditions on road infrastructure.

The slope of each expense category relative to total expenses was calculated to determine annual trends per expense based on linear regression. The analysis shows that MBR’s expenditure categories are relatively stable, as no slope is greater than or equal to 1%.

Table 14: Comparative Analysis - Percentage of Expense Categories of Total Expenses

	2017	2018	2019	2020	4-Year Average	Slope
General government services	14.41%	15.61%	13.85%	13.40%	14.32%	-0.48%
Protective services	4.50%	6.02%	3.50%	5.35%	4.84%	0
Transportation services	49.42%	51.72%	52.14%	50.93%	51.05%	+0.49%
Environmental health services	6.34%	5.42%	7.51%	6.06%	6.33%	+0.12%
Public health and welfare services	0.58%	0.83%	0.79%	0.91%	0.78%	+0.1%
Regional planning and development	1.45%	1.39%	1.47%	1.49%	1.45%	+0.02%
Resource conservation and industrial development	5.64%	4.01%	3.99%	4.48%	4.53%	-0.35%
Recreation and cultural services	15.66%	13.27%	14.56%	15.54%	14.76%	+0.09%
Water and sewer services	2.00%	1.74%	2.19%	1.84%	1.94%	0
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	

Table 15: Rural Municipality Comparison – Average Expense 2017-2020

	RM of Bifrost-Riverton	RM of WestLake-Gladstone	RM of Lac du Bonnet	RM of Pembina
General government services	14.32%	15.49%	20.73%	14.12%
Protective services	4.84%	5.17%	7.11%	8.52%
Transportation services	51.05%	42.23%	48.40%	51.48%
Environmental health services	6.33%	4.23%	9.85%	4.21%
Public health and welfare services	0.78%	0.10%	1.06%	0.65%
Regional planning and development	1.45%	0.29%	2.61%	0.00%
Resource conservation and industrial development	4.53%	2.32%	3.33%	3.47%
Recreation and cultural services	14.76%	7.89%	6.24%	4.72%
Water and sewer services	1.94%	22.23%	0.68%	12.81%
Total Expenses	100.00%	100.00%	100.00%	100.00%

Analysis of Reserve Funds

By-law 6-2018 defines reserve funds as where any monies are held for a given purpose. Contributions to the funds are by distribution of surplus monies or levying a special. It is noted by the CAO that By-Law 6-2018 has expired, thus rate contributions to the funds have ended. However, review of the audited financial statements and published financial plans over the examined period indicate mill rates have not been levied for reserves at any point. As a result, contributions to the funds have been at the discretion and approval of Council on a quasi-ad hoc basis.

Examination of the municipality's reserve funds show that although the reserve funds are in a surplus position (Table 16), net funds are being withdrawn at a faster rate than the contributions to replenish them (Table 17). The Gas Tax Reserve, Drainage Reserve, Equipment Reserve, and Capital Reserve are noteworthy as withdrawals substantially outpacing contributions. Total reserves were at their lowest point, less than \$1.3 million at the end of 2021.

The slope of each reserve fund was calculated over the five-year period to determine annual trends in reserve balances under current conditions. The slope in this case indicates the typical annual change in account balance annually. Key observations from regression analysis are that the Gas Tax, Drainage, and Equipment reserves have the most substantial decreasing balances annually. The Arborg Bifrost Fire Capital, Riverton Fire, and General reserves are expected to have the highest balance increases under current conditions.

Table 16: Reserve Fund Surplus (Deficit), End of Year 2017-[†]2021

	2017	2018	2019	2020	[†] 2021	Slope
Gas Tax Reserve	\$731,711	\$875,758	\$803,292	\$584,351	\$269,380	\$(121,606)
General Reserve	85,115	116,136	148,022	165,045	163,352	20,538
Riverton Fire Reserve	65,431	98,497	143,509	149,392	214,066	34,816
Arborg Bifrost Fire Capital	-	42,961	110,936	148,788	157,499	42,082
Building Reserve	40,000	96,393	120,786	122,498	123,934	19,397
Bifrost Fire Reserve	67,572	88,511	115,109	91,874	92,951	5,412
Drainage Reserve	164,126	165,990	136,825	87,719	44,930	(31,666)
Equipment Reserve	161,981	72,174	173,924	81,360	52,329	(21,011)
Capital Reserve	90,855	67,720	69,608	70,589	71,162	(3,651)
Econ Dev Reserve	64,338	62,281	83,329	51,954	52,446	(3,411)
Utility Reserve	20,033	22,480	24,977	25,278	25,454	1,363
Lagoon Reserve	16,891	20,221	23,628	23,926	24,096	1,811
Sidewalk Reserve	64	108	-	-	-	(23)
Grand Total	\$1,508,117	\$1,729,230	\$1,953,945	\$1,602,774	\$1,291,598	

**Estimated from 2021 unaudited financial statements*

Table 17: Change in Reserve Fund Balances 2017-[#]2021

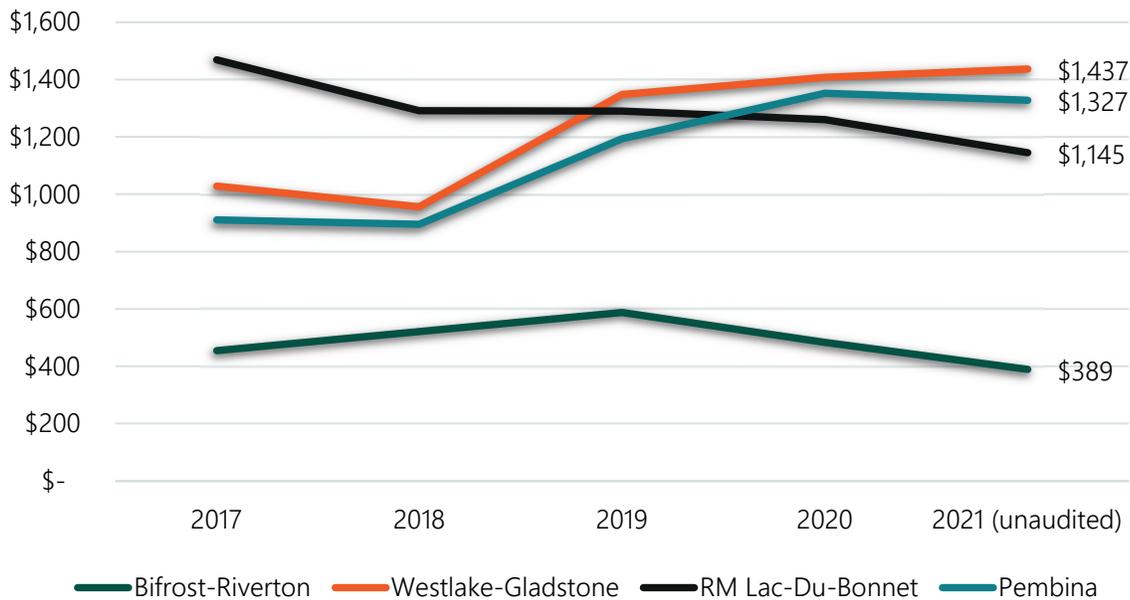
	2017	2018	2019	2020	[#] 2021
Gas Tax Reserve	(\$175,905)	\$144,071	(\$72,466)	(\$218,941)	(\$314,971)
General Reserve	30,704	31,021	31,886	17,023	(1,693)
Riverton Fire Reserve	5,638	33,066	45,012	5,883	64,674
Arborg Bifrost Fire Capital	-	42,961	67,975	37,852	8,711
Building Reserve	40,000	56,393	24,393	1,712	1,436
Bifrost Fire Reserve	(8,622)	20,915	26,598	(23,235)	1,077
Drainage Reserve	(54,488)	1,864	(29,165)	(49,106)	(42,789)
Equipment Reserve	(53,683)	(89,807)	101,750	(92,564)	(29,031)
Capital Reserve	1,299	(23,135)	1,888	981	573
Econ Dev Reserve	64,338	(2,057)	21,048	(31,375)	492
Utility Reserve	(2,612)	2,447	2,497	301	176
Lagoon Reserve	220	3,330	3,407	298	170
Sidewalk Reserve	(4,936)	44	(108)	-	-
Riverton Recreation Reserve	-	-	-	-	-
Grand Total	(\$158,047)	\$221,113	\$224,715	(\$351,171)	(\$311,176)

#Estimated calculations from 2021 unaudited financial statements

Reserves Comparison

MBR holds significantly less reserves than the comparison municipalities per Figure 19. On a per capita basis, MBR has held a five-year average of \$487 per person in capital reserves, which reduced to \$389 in 2021. The other municipalities included averaged \$1,221 per person in capital reserves over the last five years, providing additional cash for long-term capital planning, as well as an extra cushion to deal with emergency capital requirements.

Figure 19: Reserve Funds per Capita by Municipality, 2017 – 2021



Recommendations

It is advised that either more contributions to the reserve funds are actively made through direct budget transfers, passively made by levying reserve specific mill rates, or a combination of both. It is also evident that prudence should be taken when withdrawing from the funds. Rather than establishing specific reserves for planned capital acquisitions, MBR appears to have relied heavily on the gas tax reserve, which is now at its lowest level in the reviewed period. Closer attention to reserve fund balances and timing of expenditures would also circumvent accelerated and unplanned depletion of reserve funds.

The lack of a recreation reserve is another noteworthy observation from the fund analysis. Despite all the capital improvements needed over the next 10 years from both RBPRC and ABPRC, totalling approximately \$2,156,120 from both commissions, no savings have explicitly been put aside to help fund the projects. It is highly suggested that a recreation reserve fund is established for RBPRC’s \$932,100 plus any other future capital expenditures. Active contributions, along with a mill rate levy and other types of fees, such as facility renewal or program registration fees for passive contributions, should be considered to fund the long-term projects.

In addition, since \$1,224,020 in capital improvements are anticipated and borne by both Bifrost-Riverton and Arborg, discussion between the two parties should be conducted to accomplish the following:

1. Establish a potential second recreation reserve specific to ABPRC;
2. Determine each party’s role in the recreation reserve;
3. Determine a contribution schedule for both parties.

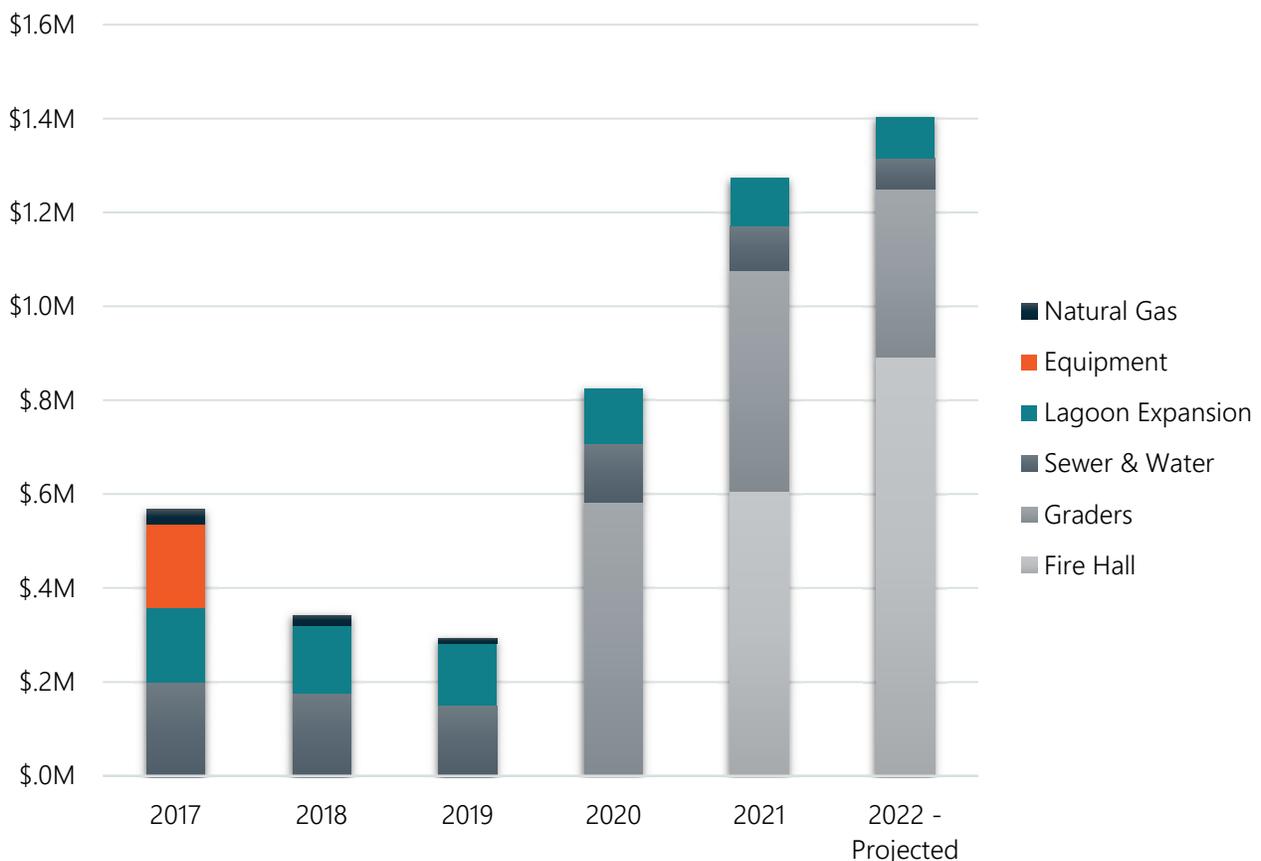
These actions are suggested to establish a framework to better plan and save for ABPRC future capital expenditures, especially since the facility assessment has already been completed and pending action.

Analysis of Long-Term Debt

Figure 20 outlines the closing values of MBR’s long-term borrowings for capital projects from 2017 to 2022. The projected closing balance for 2022 has been added to show the effect of borrowing an additional \$535,000 to complete the Fire Hall per the current 2022 budget draft.

MBR’s long-term debt reached a low of \$292,899 in 2019, but since then increased borrowing for capital projects, with \$583,410 borrowed for the purchase of three (3) John Deere 872GP Motor Graders (by-law 5-2020) and \$1,000,000 borrowed for the construction of the new fire hall (by-law 1-2021). Assuming the loan for the fire hall has a maturity date of December 31st, 2036, per the by-law, MBR’s total annual debt payments will be approximately \$273,520 in 2023. Payments will remain elevated until the loan on the graders has been paid at the end of 2025.

Figure 20: MBR Long-Term Debt Year End Closing Balances, excluding Consolidated Government Partnership debt with the Town of Arborg



Performance Measures

There are multiple performance metrics that should be measured and monitored annually based on the municipality’s financial statements including, but not limited to, current ratio, debt to revenue percentage, and the asset sustainability ratio.

Current Ratio

The current ratio is the ratio of current assets to current liabilities, where current assets include cash, accounts receivable, and financial investments that can be converted to cash in a short time frame, and current liabilities include accounts payable and long-term debt repayments payable within the next year. The current ratio measures the municipality’s current ability to meet its short-term obligations. A result of more than 1.0 indicates that the municipality has the means to cover all its short-term liabilities.

Figure 21 presents MBR’s current ratio from audited financial statements between 2016 to 2020. The current ratio has been growing consistently from 1.8 in 2016 to 4.9 in 2020, indicating that the municipality had excess means on December 31 each year to pay off existing short-term liabilities. However, it should be noted that the current ratio will not remain the same throughout the entire year. Since MBR receives most of its tax revenue in September each year, its coffers are relatively full in December and present well on financial statements.

Figure 21: MBR Current Ratio, 2016 – 2020

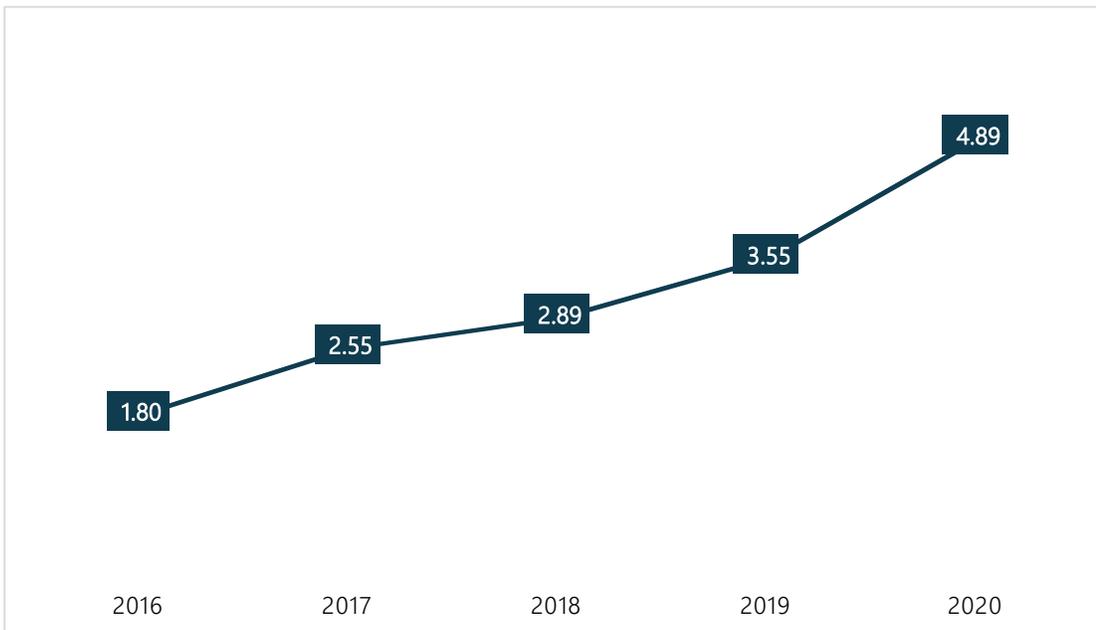
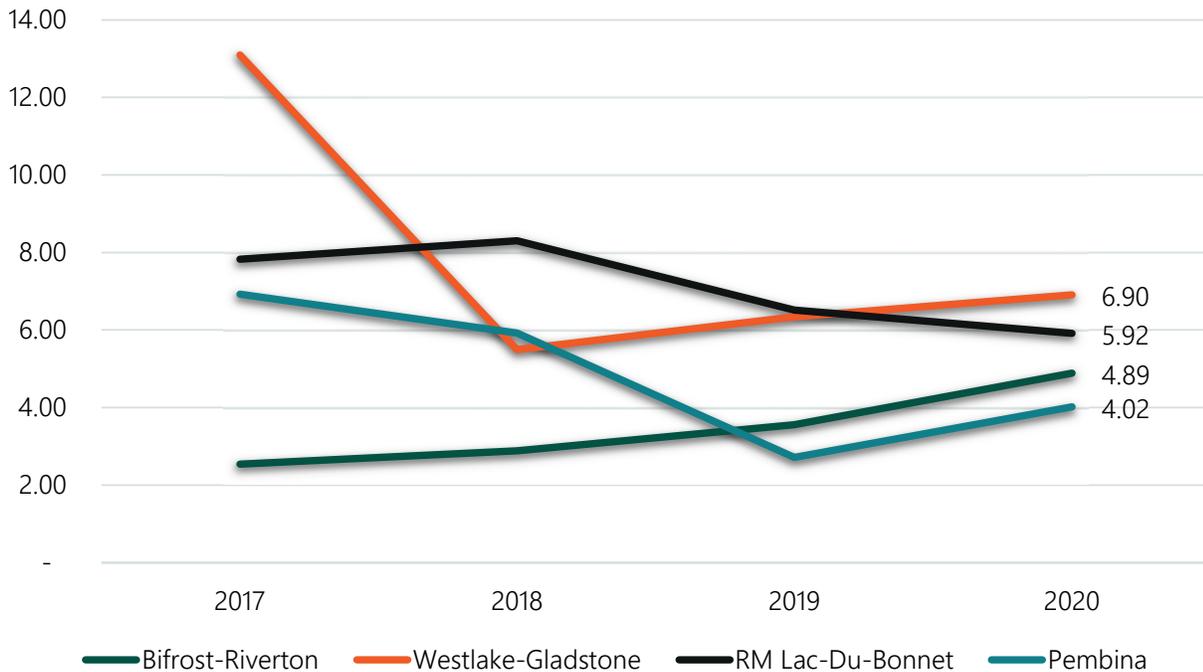


Figure 22 provides a comparison of current ratio by comparator municipality. The figure shows that there was significant variance in the current ratio between municipalities in 2017, but the current ratios have converged in recent years between 4.02 to 6.90. Each of the municipalities analyzed can meet their short-term obligations, with MBR’s improvement over the four-year period bringing it into the middle of the pack.

Figure 22: Current Ratio by Municipality, 2017 – 2020



Debt to Revenue Percentage

The debt to revenue percentage is calculated as total borrowings, including long-term capital lease obligations, divided by total revenue. The percentage helps the municipality monitor debt levels and ensure borrowing commitments can be met based on existing revenue sources. There is no optimal percentage as each municipality has its own revenue streams and must determine the right amount of debt required to fund operations and capital infrastructure. This metric is also useful for year over year performance tracking, as it shows that increasing municipal debt can be beneficial if revenue increases offset enough to maintain the debt to revenue percentage.

Figure 23 presents MBR’s debt to revenue percentage from audited financial statements between 2016 to 2020. The percentage dropped between 2016 to 2019 as MBR paid down long-term debt and increased revenue, but then increased from 13% in 2019 to 20% in 2020 as new debt was added for capital purchases.

Figure 23: MBR Debt to Revenue Percentage, 2016 – 2020

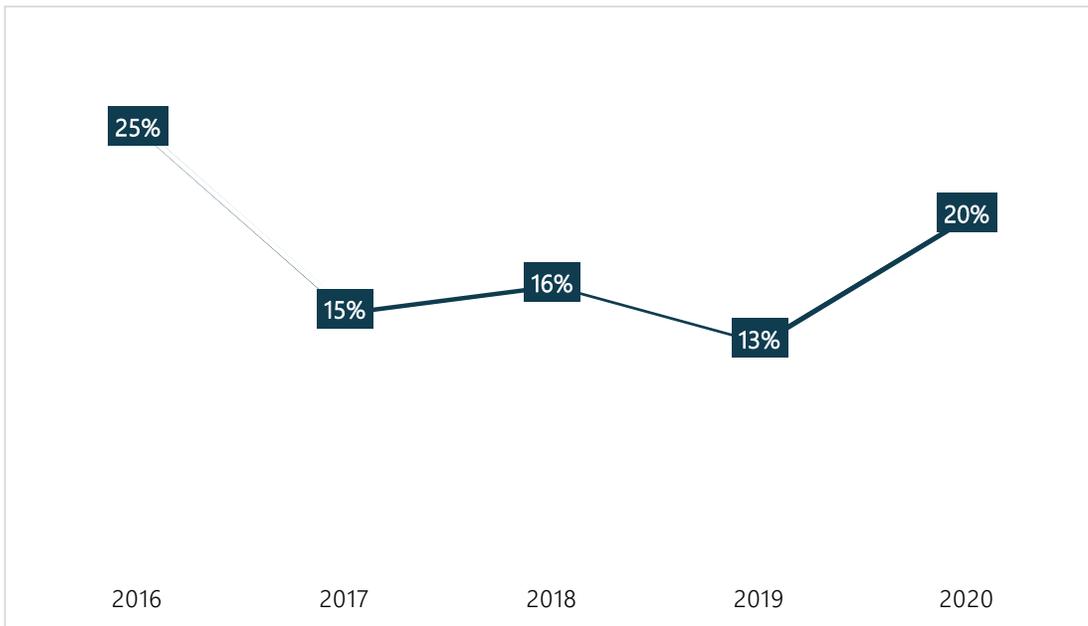
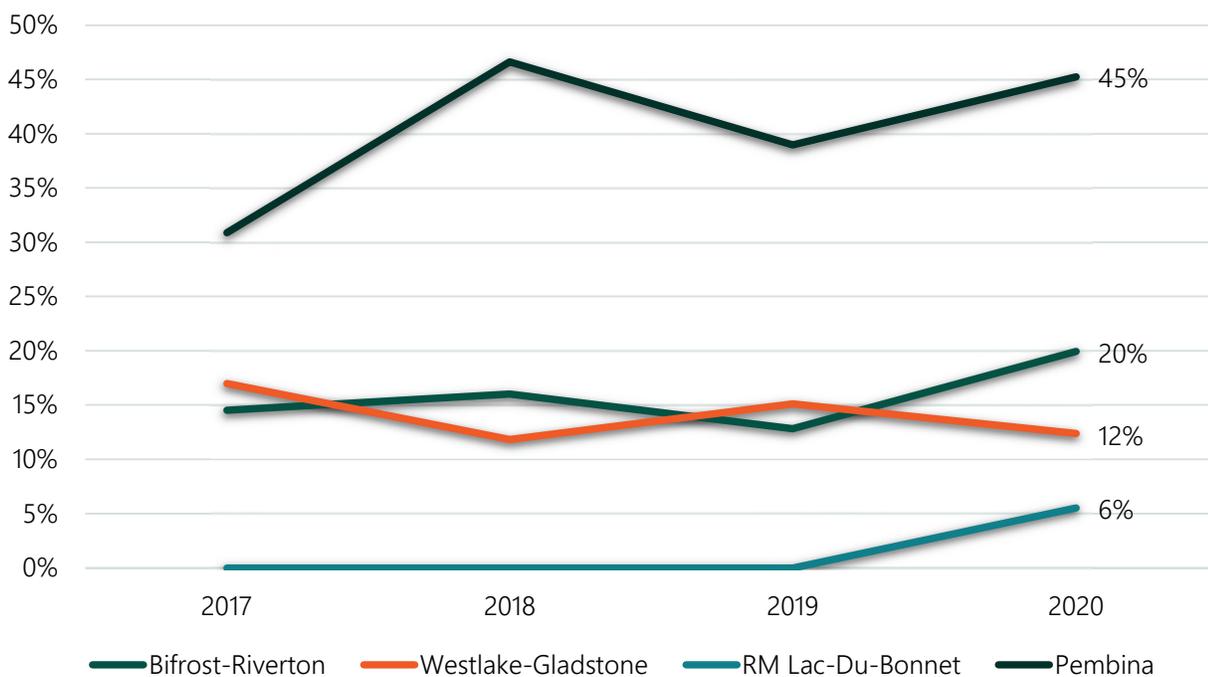


Figure 24 shows the debt to revenue percentage by municipality. The figure shows that each municipality is unique regarding its usage of debt, with Pembina heavily favouring debt for capital projects, and the RM of Lac-du-Bonnet operating on zero long-term debt until 2020.

Figure 24: Debt to Revenue Percentage by Municipality, 2017 - 2020



Asset Sustainability Ratio

The asset sustainability ratio is calculated as the total cost of annual additions to capital assets divided by the annual amortization (depreciation) expense. The ratio is generally measured as a five-year average to account for annual fluctuations in capital acquisitions. The ratio shows if a municipality is acquiring new capital assets or replacing existing capital assets (including buildings, equipment, roads, utilities, etc.) at a rate exceeding the estimated depreciation and obsolescence of its existing capital assets. A ratio of 1.0 implies that a municipality is investing the bare minimum required to replace existing capital assets.

Figure 25 presents MBR’s asset sustainability ratio from 2018 to 2020. The ratio is relatively flat, ranging between 2.28 to 2.35 over the three years. This result shows that MBR’s investment in capital infrastructure is outpacing the depreciation recorded on existing capital assets. This could point to community growth through continued investment in new infrastructure, but it may also signal an overinvestment in upgrades to existing infrastructure that has not yet depreciated beyond its original useful life.

Figure 25: MBR Asset Sustainability Ratio, Five-Year Trailing Average, 2018 – 2020

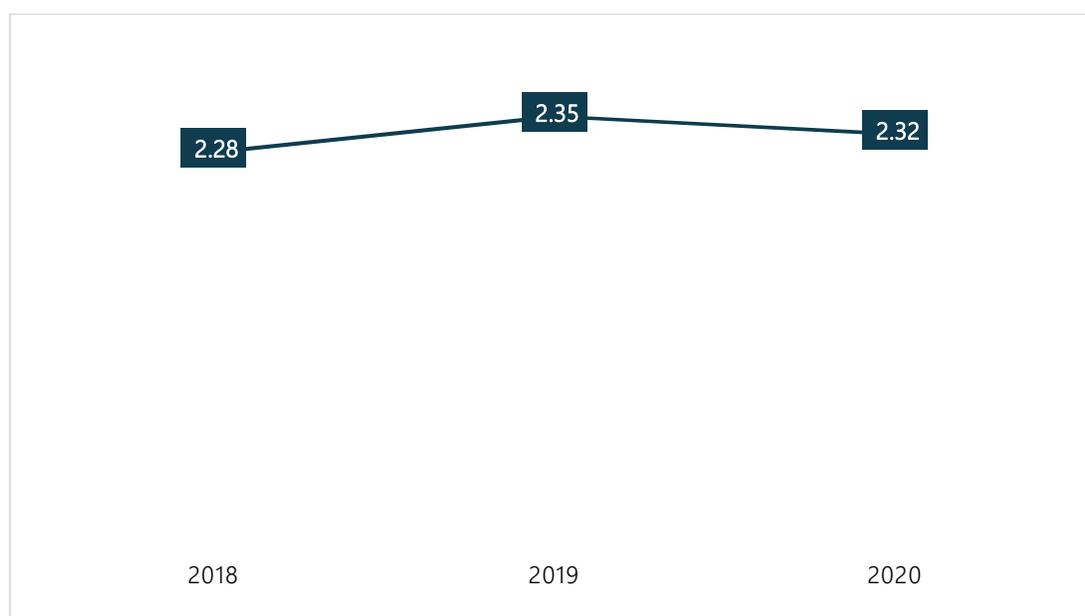
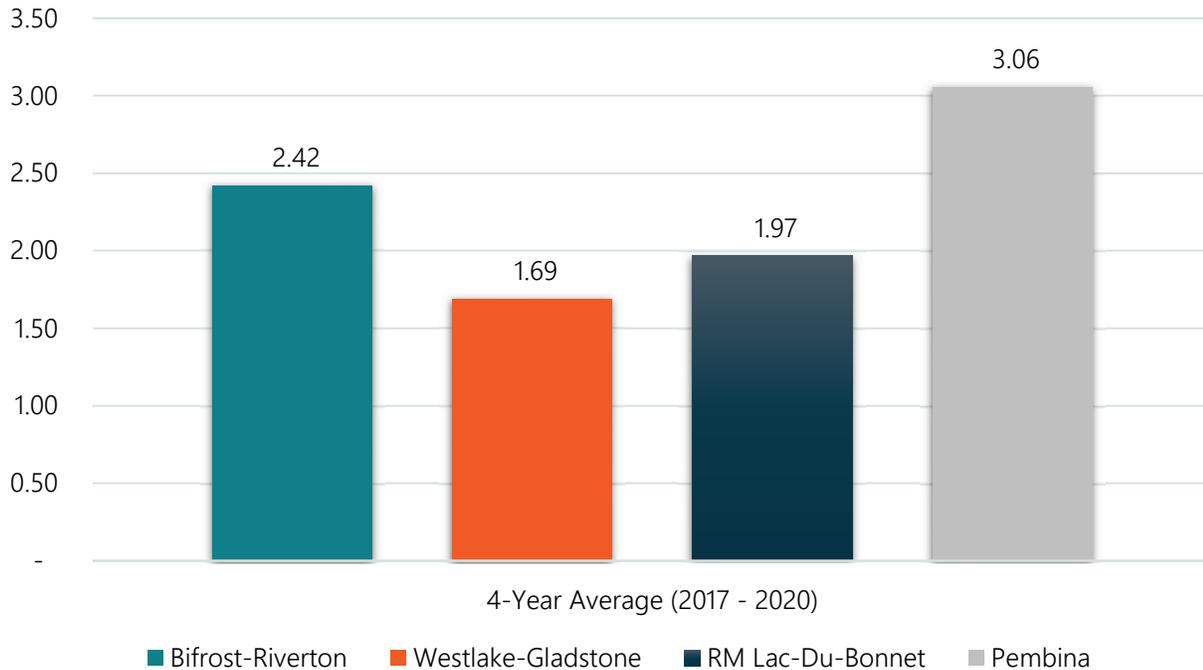


Figure 26 provides a four-year average asset sustainability ratio by municipality from 2017 to 2020. MBR is in the middle at a ratio of 2.42, with Westlake-Gladstone and the RM of Lac-Du-Bonnet reporting a ratio under 2.0 and Pembina over 3.0 due to significant capital investments made in the last four years. Pembina’s investment story is evident through the comparison of the three financial performance measures; significant capital infrastructure investment funded by debt has led to a high asset sustainability ratio, a decreasing current ratio, and an increasing debt to revenue percentage.

Figure 26: Asset Sustainability Ratio by Municipality

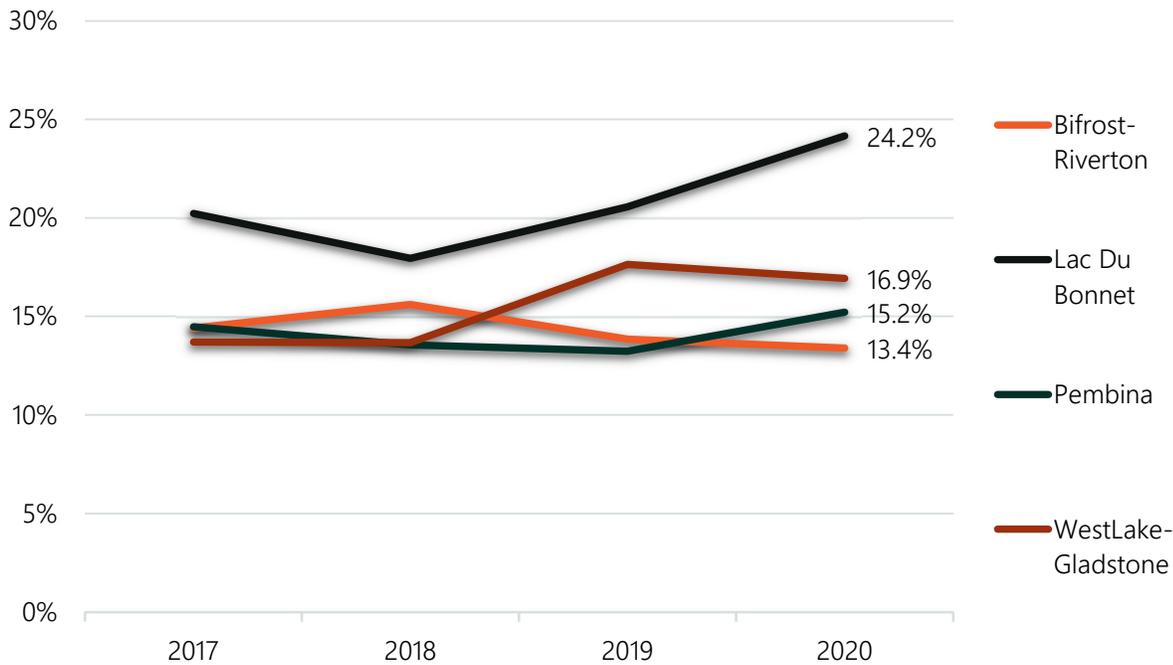


Operating Costs for Governance and Corporate Management as a Percentage of Total Municipal Costs

The objective of this performance measure is to estimate the cost efficiency of the municipal government. This metric is calculated as all costs classified as “General Government Services” divided by the total operating expenses in a year. These costs primarily include legislative and general administrative expenses.

Figure 27 demonstrates that MBR spent the least of the four reviewed municipalities on governance and corporate management in 2020, comprising only 13.4% of total expenditures. MBR’s rate averaged 14.3% from 2017 to 2020 and has generally been comparable to Pembina and WestLake-Gladstone, with Lac Du Bonnet spending an average of 20.7% on general government services. This result shows that on a relative basis MBR’s is cost efficient when compared to selected comparators.

Figure 27: Operating Costs for Governance and Corporate Management as a Percentage of Total Municipal Costs



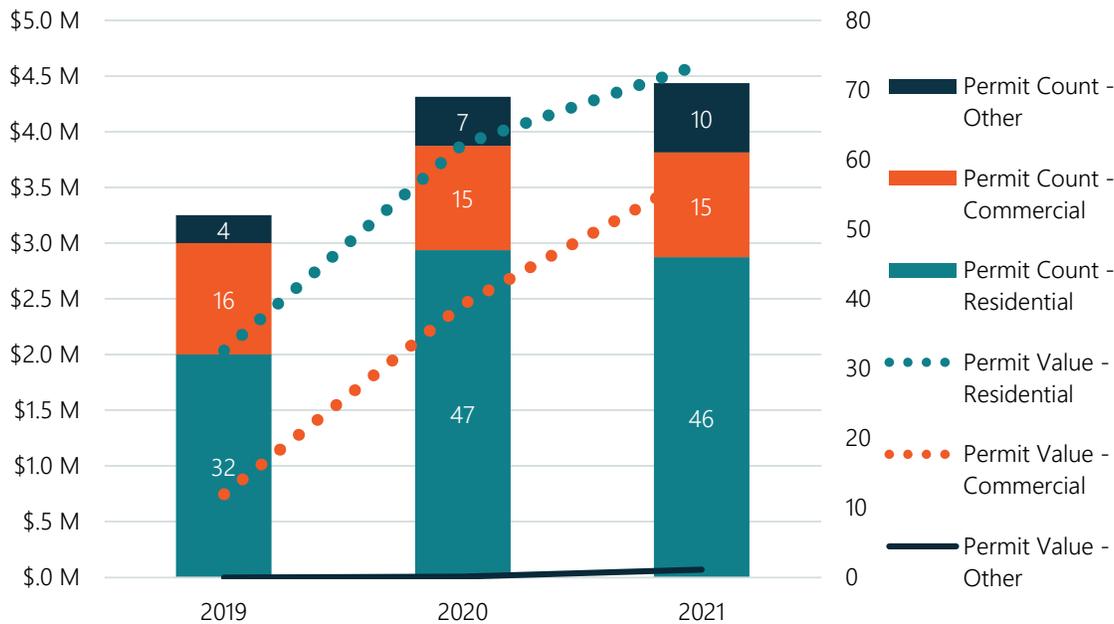
Building Permit Performance Measures

While not specific to financial performance measurement, there are multiple metrics used to evaluate the efficiency of delivering building permits and inspection services, including:

1. Operating costs for building permits and inspection services per \$1,000 of construction activity;
2. Median number of days required to review a complete building permit application by permit type;
3. Total number of building permit applications submitted and accepted.

Additional data is required for MBR to calculate the first two performance measures. Data for the total number of building permit applications by municipality is available from the Eastern Interlake Planning District (EIPD). Results show that MBR has consistently issued more permits of a higher total value over the last three years. There were 52 permits issued in 2019 for a total value of \$2.78 million, which grew to 71 permits with a total value of \$8.31 million in 2021. In 2021, residential permits comprised 65% of total permits issued and 55% of total permit value.

Figure 28: Bifrost-Riverton Permit Count and Value, 2019 - 2021



General Financial Recommendations

- 1) The municipality should begin replenishing its capital reserves. In the 2022 budget draft MBR is only planning for deposits to reserves from outside sources, including annual funds from the Federal Gas Tax and funds from Hecla for fire and emergency services. Specifically, a special mill rate should be established for the Fire Hall borrowing, similar to what was done under borrowing by-law 5-2020 for the graders. The decrease in capital reserves coupled with the increase in long-term debt is squeezing the cash resources of the municipality. MBR is running out of fiscal room to pay for capital projects and may be forced to reduce services or increase its general municipal mill rate if emergency capital expenditures are required.
- 2) The TSC should be re-established to ensure long-term capital planning and provide further guidance to Council regarding the amount it should be setting aside for reserves annually.
- 3) The CAO should create a list of key performance indicators, including the current ratio, debt to revenue percentage, asset sustainability ratio, and operating costs for governance as a percentage of total operating costs, and delivering these ratios periodically to Council (recommend twice annually at a minimum). If possible, municipalities could be identified for sharing information and benchmarking.

Budgeting Process Review

MBR has not established a formal budgeting schedule or policy. A review of budgeting materials for the 2021 and 2022 fiscal years revealed that the annual budgeting process takes approximately three months from start to finish, proceeding through the following steps:

- The CAO prepares a preliminary budget based on historical results and expected revenues and expenditures;
- The CAO presents the preliminary budget to Council. This generally occurs in February each year;
- Council reviews the preliminary budget and requests changes over the course of several council meetings and debates. At each subsequent budget meeting the CAO presents Council with budget expenditure and grant requests received from Committees of Council and other organizations operating in the municipality. Council reviews these requests and communicates its approval, denial, or request for additional information;
- If all approved expenditures result in a budget deficit the CAO will present Council with the increase in the general mill rate required to balance the budget. If a tax increase is not approved, Council must discuss and approve budget reductions;
- The CAO incorporates Council's feedback into the budget and submits a final budget to Council for approval;
- A quorum of Council votes to approve the budget. In the past this has occurred in April;
- A public hearing is held to present the budget, in the form of the annual financial plan, to the public. In 2021 the public hearing was held on May 13, 2021. Council may revise the financial plan after the public hearing, but another public hearing must then be held to present the revision(s);
- Per the Municipal Act, a copy of the municipality's current year financial plan must be filed with the minister by May 15th each year.

The Municipal Act allows municipalities to adopt an interim operating budget for the current year to allow for continuing operations until the annual budget has been approved. In 2022 the CAO held four budget meetings with Council:

- February 8, 2022
- February 24, 2022
- March 8, 2022
- March 24, 2022.

Under the existing budgeting process the CAO has done well in clearly outlining the level of operating surplus throughout each budget iteration, providing Council with a baseline of what may be contributed to capital projects or reserves, or what new taxation is required to balance deficits. The CAO presents the mill rate increase to members of Council by demonstrating the potential tax payment increase on their personal primary residences, which helps the Councillors better visualize how the potential tax increase will affect ratepayers. The budgeting packages provided to Council are clear and concise, with proper identification and separation of

capital and operational expenditures. However, there are several recommendations that could be put in place to improve the budgeting process.

Municipal taxes are due September 29th each year. Previously the deadline was October 31st, but MBR moved the date to aid with cash flow issues after incurring significant expenditures in the summer months. The municipality can repay its operating line of credit sooner each year. The change helped reduce annual interest charges on the operational account from \$25,000 to \$15,000 in 2021.

Deficiencies & Recommendations

Deficiency – Budget Process Planning

There is no formal budgeting schedule or policy established aside from the deadlines imposed by The Municipal Act.

Recommendation

Budget deadlines should be established under an organizational financial policy to provide transparency on the budgeting process to all stakeholders, as well as to provide guidance to new members of Council and Administrative staff. Table 18 provides a sample budget timeline with due dates that could be incorporated into a municipal policy.

Table 18: Sample Budget Timeline

TASK	RESPONSIBILITIES	DUE	Start of Week																					
			02-Jan	09-Jan	16-Jan	23-Jan	30-Jan	06-Feb	13-Feb	20-Feb	27-Feb	06-Mar	13-Mar	20-Mar	27-Mar	03-Apr	10-Apr	17-Apr	24-Apr	01-May	08-May	15-May		
Preparation of preliminary budget	CAO, ACAO	31-Jan	█	█	█	█	█																	
Present preliminary budget to Council	CAO, Council	07-Feb					█	█																
Other entity budget expenditure and grant requests delivered to CAO	CAO, Other Orgs	28-Feb	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Follow-up meetings and budget amendments	CAO, Council	15-Apr						█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Preparation of final draft and present to Council	CAO, ACAO	30-Apr																█	█	█	█	█	█	█
Council approval of budget	Council	30-Apr																			█	█	█	█
Public hearing presenting financial plan	CAO, Council, Public	13-May																					█	█
Submit approved budget to Minister	CAO	15-May																						█

Deficiency – Budget Capital Planning

Each budget includes a five-year capital expenditure plan. There appears to be minimal follow-through on capital expenditures as items are continually pushed forward to the subsequent budget each year. Multiple capital items have been continually pushed forward, including:

- The personal care home, or “Aging in Place Campus”, had \$2.1 million budgeted on the 2017 plan to be spent in 2018. Each year this amount has been pushed forward and is now budgeted for \$2.5 million in 2023;
- The purchase of an excavator for \$200,000 was budgeted in 2017 for the 2019 fiscal year, with \$100,000 sourced from the operating budget and \$100,000 sourced from a capital reserve. No excavator has been purchased and the current budget has this purchase planned for 2023. The equipment reserve is also at its lowest level since inception, with only \$52,329 accumulated at the end of 2021;
- Planned capital expenditures for sidewalks has ranged from \$60,000 to \$90,000 over a five-year period since the 2017 plan, but there is no evidence of spending on sidewalks in the last five years. In 2021 MBR was quoted a price of \$75,000 for the project area, so the 2022 budget now has \$80,000 planned for the sidewalk renewal project.

Municipal policy number 2019-01 for Asset Management Program Policy states under the section on fiscal responsibility that long-term projections of investment needs must be developed and that processes are put in place to ensure the needs of proposed investment plans are met efficiently and effectively, but this does not appear to be occurring.

Recommendation

Council should better prioritize its capital expenditure plans, as continually postponing projects is causing the cost of the underlying expenditures to increase. The establishment of a Transportation Service Committee will help, as the TSC would be responsible for developing and monitoring capital plans and providing recommendations to Council. All projects should be ranked and/or assessed a priority level each year that should be reflected in the capital budget. A sample priority grid is listed in Table 19.

Table 19: Sample Capital Expenditure Prioritization Categories

Priority Level	Description
Critical	Capital upgrades that are critical to the health and safety of individuals using the facilities. For example: damaged roofing on municipal facilities, or a new fire truck if the existing one has been damaged. Items at the Critical priority level are unlikely to be included on a five-year capital plan as they should be dealt with immediately in the current year budget
Priority 1	Capital expenditures that are deemed to be of high operational benefit to the municipality and its ratepayers, or expenditures that are required in preparation high priority expenditures. Road maintenance on high volume roads would be a priority 1 expenditure. Priority 1 expenditures should be carried out in the current or following year

Priority Level	Description
Priority 2	Capital expenditures that are deemed to be of medium operational benefit to the municipality and its ratepayers. An example of priority 2 expenditures would be the replacement of major equipment at the end of its regular useful life. Priority 2 expenditures may fall in any year of a five-year capital plan
Priority 3	Capital expenditures that are deemed to be of low operational benefit to the municipality and its ratepayers. Priority 3 expenditures would likely fall into later years of a five-year plan but may be moved sooner if all priority 1 and 2 needs have been met

Once the approved budget is established, both Council and the CAO are responsible for monitoring and enforcing budget adherence. No one Councillor can make spending decisions outside of the approved budget. Committees of Council do not have the fiscal authority to spend outside of the approved budget for their department. Requests for additional spending outside of the approved budget must be submitted to Council for review and approval or denial at a Council meeting.

Deficiency – Budget Reserves

As evidenced in the Department and Committee Review and Financial Statement Review sections, MBR has significantly reduced its contributions to reserve funds in recent budgets. In 2021, MBR only contributed \$50,000 to reserves from tax revenue, with the rest coming from external sources (\$30,000 from Hecla for Fire Services and \$181,793 from the gas tax). The current 2022 budget draft is not budgeting MBR tax revenue to be transferred to reserves.

Recommendation

The funding of reserves is critical to the ongoing fiscal health of a municipality. While it is understandable that the municipality endured fiscal constraints during the COVID-19 pandemic causing them to tap deeper into existing reserves, Council should now be focused on replenishing those reserves to help future generations withstand the next crisis. Recent inflationary pressures escalate the importance of replenishing reserves as the increasing cost of capital projects outpaces tax revenue increases from property assessments.

Where a reserve has not been established and a capital cost requires new borrowing, Council should either set up a special mill rate to match the cost of the debt servicing or increase its general mill rate.

Administrative Process Review

Consultation with the CAO and ACAO has revealed several administrative processes that could be improved. This section outlines the administrative deficiencies, recommended improvement, and recommended financial controls.

Deficiency – Multiple Pay Period Cut Offs Across Departments

Administration staff and Public Works staff have different pay periods, creating additional administrative work for payroll processing. Administration staff are paid using the current method. They are paid bi-weekly on Friday, with the cut-off being up to and including the payday. Public Works staff are paid using the arrears method. They are paid bi-weekly on Friday, with the cut-off being the Sunday before a Friday pay day.

Recommendation

Ideally, these pay period cut-offs should be aligned to reduce the administrative burden.

It is recommended that the arrears method currently used for Public Works be used for both departments as it lowers the risk of overpayments and reduces administration resolving timesheet to payroll variances. Public Works requires the delay as the Public Works manager must approve timesheets up to the Sunday before payroll and provide the timesheets to the ACAO for processing.

Switching Administration staff from current to arrears will result in one pay cheque being half of current pay, as employees will be paid to the Sunday prior to payroll rather than up to the Friday (5 business days less than the current method). This would appear to be an underpayment to staff, but by switching to arrears MBR will owe staff for those days worked. This 5-day variance will not be resolved for current staff until they end their employment, at which point all owed wages are paid. There are multiple methods that could be used to alleviate the burden of a lower payday for Administration staff in the payroll transition period:

- **Option 1:** Provide the option for employees with accrued vacation to have 5 days of vacation or other accrued time off paid out to account for the transition variance;
- **Option 2:** Provide a 5-day pay advance to employees to cover the gap. Administration can track these pay advances and withhold the advance from the employee's final pay at the end of their employment. Alternatively, the advance could be forgiven at a rate approved by Council based on continued employment. For example, for each one year the employee continues to work for the municipality after the payroll transition, the advance is reduced by one day.

Ideally, the transition should occur in a month with 3 pay days to reduce the financial impact on staff.

If MBR proceeds with Option 2 it should develop a new policy that explains the reasoning for the change to a unified pay period and outlines the transition process followed and critical dates. Having an established process written in policy will help future staff understand what to do what any staff pay advances on file should there be a turnover in the CAO or ACAO roles.

Appendix B shows a timeline of pay periods under the current model and a suggested transition to a new arrears model for both departments.

Deficiency – Bank Time Leave Tracking

MBR's policy for bank time leave is listed under policy #2020-05 Section IV. It states that employees are entitled to 1 ½ hours of banked time for each hour of overtime worked. Banked time is paid at the regular wage rate when the employee takes the time-off. The payroll administrator tracks bank time for each individual employee in Excel and provides a bank time tracker to staff with their paystub.

The current deficiency is that staff write on their time sheet when they would like to use bank time but are not doing so consistently, so the payroll administrator must use some discretion to adjust payroll as necessary. For example, an employee who should have 100 hours in a pay period but only submits 98 should record 2 hours used from bank time to bring their total to 100. In some cases the employee forgets to adjust their hours so the payroll administrator will assume it should be topped up.

Recommendation

The leave policy could be amended to state that the payroll administrator will always use bank time to ensure the full base hours for a pay period are being paid, including through the use of bank time. This would absolve the payroll administrator from making judgment calls where an employee has not specified the use of bank time. Rather, it will be the employee's responsibility to state if they are using some other form of time off if they do not want unworked hours taken out of their bank time balance.

Additionally, while there is no inherent deficiency in using an Excel document to track time-off, MBR may want to look into proper time tracking software that would simplify bank time and vacation time tracking and reporting. Software solutions reduce the amount of administrative time needed, as well as reduce the potential for human error in an Excel spreadsheet. However, given the small size of the organization it is likely not cost efficient for MBR to pursue this route.

Deficiency – No Finance Committee

Council has not established a Finance Committee to provide financial oversight for the municipality. Typical responsibilities for a Finance Committee include, but are not limited to, the following:

- Review and recommend the budget to Council
- Monitoring financial performance and adherence to budget
- Recommend an auditor to Council
- Review the audit report and present to Council
- Review and present other financial reports to Council for approval
- Review and recommend financial policy and internal controls to Council for approval

Council is currently undertaking these responsibilities as part of its regular meetings. For example, per MBR's Municipal Tendering and Procurement policy (Policy #2020-04), Council must review and approve by resolution the monthly accounts payable listing at the first regular meeting each month. The policy states that the CAO will issue payment for all accounts payable authorized for payment by resolution of Council. However, timing of accounts payable generally requires more frequent payment, so Council is often reviewing and approving an accounts payable listing that includes items that have already had cheques issued.

Recommendation

A Finance Committee should be established to assist and recommend on all financial matters put before Council. The CAO should be given a certain level of authority to make payments. Cheques already require two signatures, the CAO, and the Reeve, so there is already a control in place to ensure a member of Council has approved a payment. It is common to provide administration a base spending amount by policy that does not require Council or governance authority. The Finance committee could review the accounts payable listing prior to it being issued to Council.

Deficiency – Municipal Credit Card Usage

MBR currently has two (2) credit cards for municipal use in the name of the CAO and the ACAO. However, it is frequently Public Works requiring the use of a credit card for purchases such as utility treatment chemicals and minor equipment and supplies. The CAO has suggested there is value in the Reeve having a municipal credit card to pay for general Council expenses such as travel and meeting costs.

The deficiencies of only have the two existing credit cards are the additional administrative effort required to complete purchases using the cards and reconcile transactions from other departments.

Recommendation

Issuing additional cards would help reduce transactional level administration. However, additional policy would need to be drafted and approved regarding municipal credit card authorization and usage. A sound corporate credit card policy should include the following points:

- Identification of who has the authority to approve new credit cards and set credit limits. In smaller organizations like MBR the Council may prefer to hold this responsibility, whereas in larger organizations it will generally be delegated to the administrative department;
- Individuals named on credit cards should sign a policy statement stating that they are responsible for any purchases made on the underlying account, and that abuse or misuse of a municipal credit card may result in the card being revoked and/or termination of employment;
- Personal purchases must not be made, and if made in error, must be refunded to the municipality immediately;
- Individuals with credit cards are provided a monthly transaction reconciliation statement that must be completed and sent to the CAO that includes:
 - A description detail for each transaction, including the expense account for coding
 - All purchase receipts attached to the statement and
 - Cardholder signature.

Deficiency – No Automatic Bill Payments

MBR does not currently allow automatic withdrawals or online bill payments for suppliers. This creates additional administrative work and has led to complications and additional costs, including:

1. MBR has over 20 accounts with Manitoba Hydro on three billing cycles. Due to the nature and frequency of these billings, invoices have been missed and the municipality has incurred interest charges;
2. MBR’s account with Bell-MTS have bill dates of the 28th day of each month, but a paper copy of the bill is not received in the mail until around the 13th day each month. Payments are due on the 17th, which requires a rush to process and issue a cheque for payment before incurring interest charges.

MBR paid approximately \$200 in late fees in 2021 (excluding interest). There are multiple alternatives that could be used to mitigate these issues and fees, including using automatic bill payments or online bill payments for regular recurring payments. The advantages and disadvantages of each are outlined in Table 20.

Table 20: Automatic Bill Payments vs. Online Bill Payments

Solution	Advantages	Disadvantages
Automatic Bill Payment	<ul style="list-style-type: none"> • Low cost • Low administrative burden • Regulates cash flow of payments (e.g., same day each month) • No missed payments or additional interest and fees 	<ul style="list-style-type: none"> • Invoice review after payment has already been processed. • Cash flow risk if not properly monitored
Online Bill Payment / Electronic Funds Transfer (EFT)	<ul style="list-style-type: none"> • Low cost • Follows the same process and internal controls as cheque payment, without the need for printing and mailing a cheque 	<ul style="list-style-type: none"> • Still the opportunity for missed or late payments, incurring additional interest and fees

Recommendation

The solution that works best for MBR depends on Council and the Administration’s preferences. Automatic bill payments would prevent future missed or late payments but have an inherent cash flow risk and push the review process to post-payment. Ideally, automatic bill payments should only be used for monthly recurring vendor payments of a relatively consistent value. The monthly Manitoba Hydro and Bell-MTS bills would be prime candidates for automatic bill payment, but the Administration must ensure the invoice review and reconciliation process is still completed following each automatic payment. Council must approve each individual vendor qualified for automatic bill payment based on a recommendation by the CAO.

If online bill payment is preferred, Council must authorize the CAO and/or ACAO to have access to the EFT function. The same internal controls applied to cheque processing must still be followed for an EFT, but rather than sign a cheque the CAO and Reeve authorize an EFT transaction or batch of transactions. Once authorized, the EFT payment(s) may be processed by authorized staff.

Deficiency – Limited Online Deposits

Almost all taxes and fees received by MBR are received via cheque. It would save the Administration's time if all public payments could be completed via automatic deposit. MBR currently accepts online payments from Telpay, C1CU Credit Unions, and Scotiabank.

The Administration does not keep track of the number of cheques it receives annually, but it is estimated that approximately 85% of payments received are made by cheque. However, the 2016 Census reported that there were 1,120 single-detached houses in MBR, so this would mean at least 952 cheques are received annually for property tax payments. This also does not count all the cheques received for municipal service fees.

There are multiple benefits to providing an online payment service:

- 1) Increased convenience for the public; no need for citizens to use cheques for tax or fee payments to the municipality;
- 2) Reduced administrative burden and cost; online deposits are automatic and only require the accounts receivable clerk to match each receipt to the associated account;
- 3) Improved cash flow timing; online deposits should be available immediately upon completion of the bank transfer;
- 4) Zero risk of lost or bounced cheques.

MBR has investigated the costs to accept payments from TD and CIBC clients but found their fee structure to be too high for the municipality.

Recommendation

One of the best options for online deposits would be setting up MBR as a payee on the Online Bill Payment system with the major Canadian financial institutions. Setting this up with the major financial institutions will help MBR reduce the administrative burden of large numbers of cheques to process. As noted, the costs associated with certain institutions are high. MBR could potentially reduce the cost by reviewing its existing banking services with Noventis Credit Union. Larger financial institutions may have more favourable rates for inter-bank transfers. It may be in MBR's best interest to review other local banking options and issue a tender for banking services.

MBR should avoid allowing online credit card payments due to the high cost of merchant fees charged by credit card companies.

Deficiency – Antiquated Zoning By-Law

MBR continues to use the existing zoning by-laws for The Village of Riverton (by-law #76/80) and the RM of Bifrost (by-law #4-2011) as no consolidated zoning by-law has been established post-amalgamation. The Riverton by-law was adopted in 1980 and the Bifrost by-law was adopted in 2011. Operating on a partial 42-year-old by-law has created a steady stream of additional administrative and governance work for the municipality. For example, Table 21 provides all agenda items from the last six months of regular Council meetings that could be directly reduced or eliminated through an update of the zoning by-law. The CAO has no influence on zoning decisions, so every zoning issue not covered under the existing by-law must be moved through Council.

Table 21: Zoning Issues on Regular Council Meeting Agendas, October 2021 to March 2022

Meeting	Agenda Item
March 2022	<ul style="list-style-type: none"> N/A
February 2022	<ul style="list-style-type: none"> Subdivision Application #4105-21-8129 By-law 4-2022 Zoning By-law Amendment (AR to GD)
January 2022	<ul style="list-style-type: none"> Subdivision Application 4105-21-8102 Public Hearing Variance RMB-21-44V Public Hearing Amendment of Resolution 319-2021 approving Subdivision 4105-21-8097
December 2021	<ul style="list-style-type: none"> Subdivision Application 4105-21-8108 Subdivision Application 4105-21-8109
November 2021	<ul style="list-style-type: none"> Variance Public Hearing RMB-21-22V Conditional Use Hearing RMB-21-21C Conditional Use Public Hearing RMB-21-22C
October 2021	<ul style="list-style-type: none"> N/A

The CAO estimates the cost to consolidate and update the zoning by-law at approximately \$80,000 for zoning and legal consultancy. The previous Administration had the opportunity to apply for a Provincial grant to update the zoning by-law at the time of amalgamation. However, the opportunity was not pursued and now the province is no longer providing grants for by-law consolidation.

Recommendation

An \$80,000 expense to update the existing zoning by-law is significant, and Council must decide if the administrative time savings is worth it to pay for the update. However, continuing to push the zoning problem forward will push a greater governance burden onto future governments, and the cost to consolidate and update the by-law will only continue to increase. It would be best to address the problem in the near-term rather than continually amending a 42-year-old policy.

Deficiency – Asset Disposal Policy Does Not Address Real Estate

Municipal policy number 2012-5 addresses the process for the disposal of assets, but the policy is general and does not address some of the specifics of the process to be followed for the sale of high value assets, such as real estate. The current policy simply states that items with an estimated saleable value over \$1,000 will be tendered for sale with the decision to sell made by resolution of Council, and tender information shall be published in at least one edition of a local newspaper.

Not having a written policy describing the listing, bid, and sale process for property has resulted in several discussions including using a realtor to sell the lots or holding a land lottery draw; however, to date, no mutually agreeable solution has been identified.

Recommendation

Once Council has decided on a property disposal process, it is recommended policy number 2012-5 be updated to include the selected process to provide a precedent for future Councils. If hiring a realtor to sell the lots is the chosen method, a fair and independent process for realtor selection should be included in the policy. This may involve issuing a request for proposal for real estate services.

Taxation and Other Revenue Review

Mill Rates

Most members of Council indicated they are comfortable holding mill rates at the current level. The intent is for taxpayers to get the best value for their tax dollars and to keep the RM affordable and attractive to future residents. Table 22 summarizes the rates levied over a five-year period.

Table 22: Bifrost-Riverton Mill Rates 2017-2021

	2017	2018	2019	2020	2021
Debt Charges – Natural Gas	0.930	0.840	0.790	0.729	-
Debt Charges – Lagoon	1.240	1.150	1.100	1.028	1.023
Debt Charges – Machinery Replacement	-	-	-	-	0.582
General Municipal	14.070	16.300	17.730	17.373	17.373
Special Levies – Urban Area	20.680	8.690	-	-	-
Special Levies – Rural Area	3.420	0.320	-	-	-
Education Support Levy	10.500	9.770	9.770	8.830	8.809
Special Levies – Evergreen School Division	10.950	10.980	11.050	11.140	10.980
Special Levies – Lakeshore School Division	16.200	14.850	15.100	14.830	14.710

A comparison of 2021 mill rates across the same RMs used in the Financial Statement Review is shown in Table 23. Upon comparison of other RMs, the practice of levying mill rates to assist in bolstering and replenishing reserve funds could be a viable option. Total mills for Bifrost-Riverton fall in between the RMs of WestLake-Gladstone and Lac du Bonnet, both of which levy rates for select reserve funds. To further rationalize the practice, WestLake-Gladstone and Lac du Bonnet both underwent a population increase of 3.80% and 14.20% respectively, while Bifrost-Riverton experienced a contraction of -1.70%¹⁰. Growth in the community is perceived by most members of Council but is not evident in population statistics. As such, an increase in the overall rate by levying mills on reserves should not be viewed as a barrier to moving to the municipality. By-Law 6-2018 previously established the framework but will need to be replaced due to expiry should the municipality further explore this option.

¹⁰ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=9810000201>

Table 23: 2021 RM Mill Rate Comparison

	General Municipal	Total Special Areas	Total Reserves	Total Debt Charges	Total Education	Total Deficit Recovery	Total Special Services	Total Mills by RM
Bifrost-Riverton	17.373	-	-	1.605	34.499	0.681	-	54.158
WestLake-Gladstone	13.492	12.871	2.863	0.777	48.87	-	0.336	79.659
Lac du Bonnet	9.325	-	0.971	-	22.336	-	-	32.632
Pembina	9.300	39.972	-	1.846	42.126	-	-	93.244

Another viable option to consider is to levy a mill rate for the construction of the Riverton-Bifrost Fire Department fire hall mentioned in prior sections. A similar practice was implemented in response to the purchase of three graders outlined in By-Law 05-2020; \$583,410 was borrowed to purchase the graders and a debt charge rate of 0.582 mills was implemented per 2021 Financial Plan to assist in servicing the debt repayments. \$120,778 was planned to be raised from levying the rate, covering the majority of the first year’s payment on the loan.

Real Property Assessment

Figure 29 provides an analysis of the growth in real property assessment values over the last four years. The growth in total assessment value is primarily influenced by the 16% increase in farm property assessments from 2019 to 2020, while residential and other property only increased by 3.9% and 4.6%, respectively, over the same period.

Figure 29: Real Property Assessment Values by Property Type, 2019 - 2022

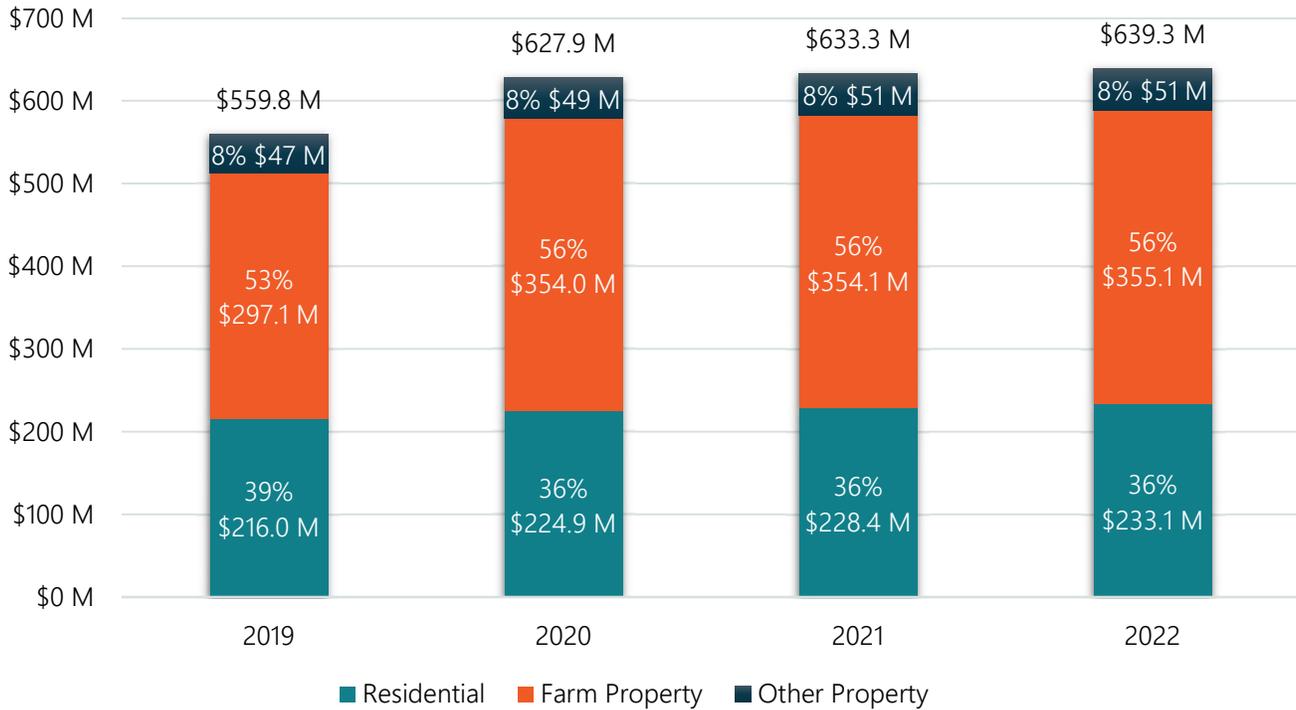


Figure 30 provides the portioned assessment by property type for properties classified as taxable or grant-in-lieu (excluding any properties classified as tax exempt or school tax exempt). The portioned taxable assessment values show that residential properties have a higher taxable assessment value than farm property in the municipality, with residential properties covering 49% of the tax base, farm properties covering 42%, and other properties covering 9% in 2022. On an annualized basis for the past four years residential properties have increased 2.0%, farm properties have increased 4.7%, and other properties have increased 3.2%.

Figure 30: Portioned Taxable and Grants-in-Lieu by Property Type, 2019 - 2022



It was indicated that farm property owners have complained about the tax increase due to the increase in the value of farm property assessed values. There is a perception that farm value is carrying the tax base in the municipality, but the taxable assessment values show that residential property owners are still paying the most taxes in the municipality. However, the \$14.4 million increase in taxable farm property values in over the last four years likely impacts individual farmers greater than the \$7.8 million increase in taxable residential values due to a lower rural population compared to urban population. Residential payers typically receive more services than farmers, such as sewer, water, and garbage collection but on the other hand, farm rate payers require the gridwork of gravel roads for their business and residential needs – the cost of which maintaining is the municipality’s largest expense.

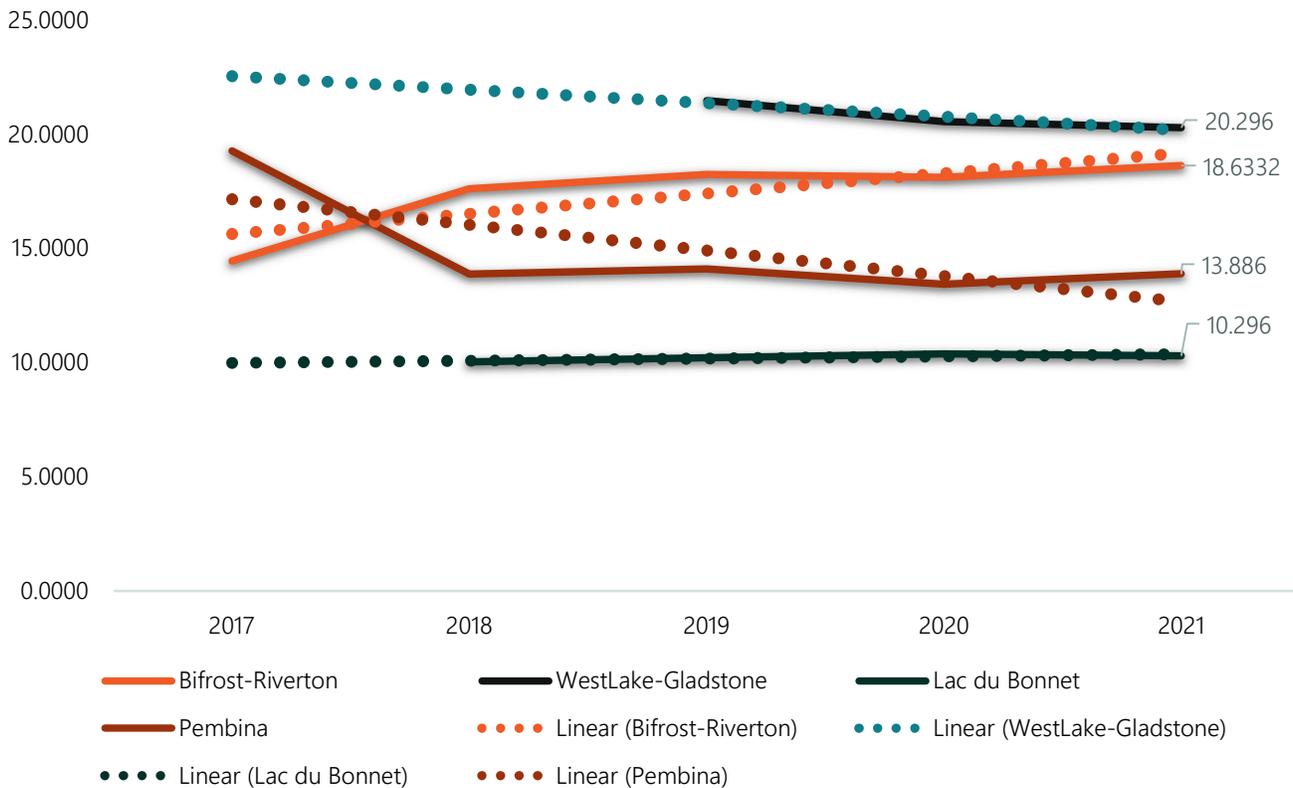
Effective Mill Rate

Effective mill rates by rural municipality were calculated to illustrate an overall depiction and effect of taxes on residents of Bifrost-Riverton and the three comparison municipalities. The effective mill rates were calculated as follows:

$$\text{Effective Mill Rate} = \left(\frac{\text{Total Municipal Tax Revenue}}{\text{Total Taxable Assessed Value}} \right) \times 1,000$$

The formula captures all forms of municipal tax revenues required for a given municipality, regardless of explicit mill or per parcel rates, to examine the overall effect of taxes levied translated into a mill rate. The formula also omits education-related rates since those are set by the province and school divisions. Figure 31 illustrates the current trend utilizing available data from the financial plans of Bifrost-Riverton and the three comparison municipalities.

Figure 31: Effective Municipal Mill Rate, 2017-2021



Total tax revenue increased in each municipality between 2019 to 2021, but the effective mill rate in several municipalities declined due to a greater increase in the value of taxable assessment. WestLake-Gladstone and Pembina show a decline in the effective mill rate. That is, the change in total municipal tax revenue has decreased in relation to the total increase in taxable assessment value. A decreasing effective mill rate implies that each dollar of assessed value is taxed less. The RM of Lac du Bonnet shows a relatively stable rate, noted by the flat curve and horizontal trendline. By contrast, Bifrost-Riverton’s effective mill rate exhibits a trending increase.

Bifrost-Riverton’s effective mill rate indicates the total tax revenue required to cover the municipality’s needs is outpacing the total assessed value of the municipality. The taxable assessed value of Bifrost-Riverton increased on average 5.62% year-over-year while total tax revenue required has increased approximately 13.00% on average. By contrast, the comparative RMs exhibit an annualized average assessed value increase of 4.89% and annualized average total tax revenue required of 1.55% across all three. Total tax revenue includes reserve fund levies. Re-introducing a special mill rate for reserves will increase MBR’s effective mill rate unless the increase in taxable assessment value is greater than the new levy.

New Sources of Revenue

User Fees and Charges

By-Law 07-2015 was passed late-March 2015 and outlined all fees and charges for services delivered by the municipality. The by-law was revised and amended March 2020; however, most fees and charges were left unchanged. Only three items were subject to an increase from the list of items outlined in Schedule A of the by-law.

Table 24: Summary of Increased User Fees

Item	By-Law 07-2015 Fees	March 2020 Amendment Fees	Percentage Increase / Annualized
Driveway Application (Wards 1-6)	\$25.00	\$40.00	60% / 12%
Dust Control – Administration Fee	\$25.00	\$40.00	60% / 12%
Maps – Black & White	\$23.00	\$25.00	10% / 2%

Consultation with the Administration has revealed that multiple fees have not kept up with the cost of delivering service and could be increased, including, but not limited to:

- The fee schedule states that there is a \$50 administration fee per offense for grass and weed cutting. This fee has not changed over the period reviewed. Generally, the municipality must send two letters (initial and follow-up) to property owners for unsightly grass and requires a contractor to review the property to confirm it does not conform to the by-law. By-law 10-2015 also allows for an appeal process which requires more administrative time to complete. A full cost analysis of the process would need to be conducted to confirm actual cost, but it is unlikely the \$50 fee accounts for all the cost of the administrative and contractor labour involved;
- The dust control program charges a \$40 administration fee, which was increased in 2020 from the 2015 amount of \$25. Property owners are also charged for the actual cost of product applied, which was estimated at \$0.345 per litre in 2022. Residents currently pay between \$228.03 to \$416.40 per 150m section depending on spray width (Table 25). Only the \$40 administration fee goes towards covering the cost of the Administration and Public Works labour and other costs involved in the application, which includes having a Public Works employee going to the site and putting up posts to mark the application area, and another employee returning with the truck for product application. It is unlikely \$40 covers the cost of all the labour and fuel involved with planning and performing the application, but a full costing analysis is required to determine the actual cost.

Table 25: Dust Control Program Application Rates, 2022

Spray Width	8 feet	12 feet	16 feet
Litres per Meter	3.63	5.45	7.27
Litres per 150m section	545	818	1091

Spray Width	8 feet	12 feet	16 feet
Cost of product per litre	\$0.345	\$0.345	\$0.345
Total cost of product	\$188.03	\$282.21	\$376.40
Administration fee	\$40.00	\$40.00	\$40.00
Total cost per 150m section	\$228.03	\$322.21	\$416.40

Recommendations

- 1) The fee for unsightly grass and weed offences should be increased to account for the required labour, as well as to increase the effect of the penalty as a deterrence from future offences;
- 2) As dust control is an optional service for residents, a cost recovery approach would be appropriate. Additional analysis should be completed to determine the actual average cost per application for labour time from Admin and Public Works staff, fuel costs, and any other costs for posts and tools. The administration fee should be adjusted to actual cost, and then tied to the Consumer Price Index (CPI) moving forward to account for inflationary pressure on labour and fuel costs associated with the program;
- 3) Council may want to consider tying other user fees to the CPI for other optional fees that involve significant effort on behalf of the municipality. CPI data from March 2015 to March 2020¹¹ indicates the average price of goods and services to Manitobans increased approximately 8.53% during the five-year timeframe of introduction to amendment of the by-law. Estimated inflation between March 2015 and March 2021 using CPI data yields an increase of 10.27%. The increase is likely even more to date due to increased economic uncertainty since the start of the COVID-19 pandemic. The result indicates that a review of the by-law and fee schedule in **Appendix C** is suggested to adjust and reflect current economic conditions.

Sale of Cottage Lots

Council has already taken steps to sell lake front cottage lots. Developers are working on the beaches, with the open lots selling fast. There is further work being completed to subdivide municipal owned property into 6 lots along Lake Winnipeg. Work still needs to be done to develop the subdivision application map and drainage plan, but Council is optimistic it will be able to put the six lots on the market by summer 2022. This would create two sources of revenue for MBR:

- 1) One-time sales revenue. Estimates vary but Council expects to receive at minimum \$80,000 per lot, for total one-time revenue of \$480,000;
- 2) Municipal property taxes. Once the lots have been developed the municipality will collect revenue on the full potential assessment value of the properties. Assuming dwellings are built on each lot, a conservative estimate of \$250,000 assessment value per lot would equate to an additional \$26,060 per year in general municipal property taxes at the current mill rate;

¹¹ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000402>

Recommendation

It is recommended that the one-time sales revenue for municipal lots be directly contributed to capital reserves of Council's choosing. Ideally, the sale of lots should include a condition that the lots be developed with 3 years to ensure the property is developed to its full potential in the near term so the municipality can begin collecting property taxes.

There should be a general focus on the sale or development of residential lots due to the increasing demand for housing in the region. There are multiple peat moss plants north of MBR growing consistently that draw on workers from the municipality. Peat moss is expected to be in the region for the next 70 to 90 years and these new workers will be looking for housing in the municipality.

Accommodation Tax

The Municipal Taxation and Funding Act grants a municipality the authority to levy an accommodation tax at their discretion¹². Presently, there is a 5% accommodation tax levied in Winnipeg, Portage la Prairie, Flin Flon, The Pas, Thompson, Churchill, and Dauphin for hotels and motels. Brandon has a \$3.00 per night flat-fee on hotel and motel accommodations. However, short-term rentals outside of hotels and motels, such as Airbnb, generally are not subject to an accommodation tax or fee in Manitoba¹³.

An accommodation tax or fee could be a potential additional source of revenue but may not be very impactful to revenue contribution given the low number of accommodation businesses within the MBR's jurisdiction. Online searches reveal only one hotel, the Riverton Motor Inn (10 rooms), and five (5) AirBNB properties that would be affected by an accommodation tax. Further consultation with these businesses would be required to understand the impact of a tax on the businesses and the revenue potential for MBR.

Table 26 provides a range of potential accommodation tax revenue as the number of rooms in the region increase, assuming a \$3 tax per night like Brandon. At the low end, with a 20% occupancy rate in the existing 15 rooms, the municipality would earn an additional \$3,285 per year.

¹² *The Municipal Taxation and Funding Act* sec. 1(3), <https://web2.gov.mb.ca/laws/statutes/ccsm/pdf.php?cap=m265>

¹³ <https://www.airbnb.ca/help/article/2283/tax-collection-and-remittance-by-airbnb-in-canada>

Table 26: Potential Accommodation Tax Revenue

		Occupancy Rate				
		20%	40%	60%	80%	100%
Number of Rooms	15	\$3,285	\$6,570	\$9,855	\$13,140	\$16,425
	20	\$4,380	\$8,760	\$13,140	\$17,520	\$21,900
	25	\$5,475	\$10,950	\$16,425	\$21,900	\$27,375
	30	\$6,570	\$13,140	\$19,710	\$26,280	\$32,850

Based on the current accommodation industry in MBR an accommodation tax would be an immaterial factor within the municipality’s gross revenue. However, given the municipality’s access to Hecla and Lake Winnipeg, it is recommended a tax be implemented while the local industry is still small, as it will be more difficult to implement in the future once the industry has further grown and increased its lobbying pressure on the municipality.

Business Licensing

Issuing and charging for business licences or levying a business tax to operate in a given municipality is at the discretion of the municipality in accordance with *The Municipal Act*¹⁴. The Act empowers rural municipalities to regulate trades and occupations within their boundaries, including limiting or prohibiting certain types of businesses¹⁵. Presently, the RM of Bifrost-Riverton does not issue business licences except for transient businesses¹⁶ per Schedule A of By-Law 07-2015.

In comparison, Arborg requires businesses to obtain and renew a licence for \$50 annually¹⁷. Arborg’s budgeted and actual revenue generated from business licences have been on an upward trend according to their annual financial plans and is anticipated to generate an estimated \$4,000 in their 2021 fiscal year¹⁸.

Another benefit of business licensing is it allows the municipality to create a database of licensed businesses within its jurisdiction. This provides valuable survey data on the number and types of businesses operating in the area and may help the regional community development corporation for planning purposes.

¹⁴ *The Municipal Act* sec. 232(2), https://web2.gov.mb.ca/laws/statutes/ccsm/_pdf.php?cap=m225

¹⁵ <https://cfmanitoba.ca/images/heartland/docs/starting-a-biz-in-mb.pdf>

¹⁶ <https://bifrostriverton.ca/government/permits-licenses>

¹⁷ <https://www.townofarborg.com/attachments/article/576/Business%20License.pdf>

¹⁸ <https://www.townofarborg.com/local-government/financial-info/tax-levy-financial-plan>

Recommendation

Introduction of a business licence with annual renewal requirements for all businesses operating MBR should be explored. MBR may choose to exclude agricultural production from business licensing requirements to reduce any additional tax burden on its farming ratepayers. Without current data on the number of businesses operating within the municipality it is difficult to estimate the revenue potential but based on population sizes it would likely match Arborg's annual business licensing revenue at a minimum (\$4,000).

Tipping Fee

Upon review of user fees and stakeholder feedback from the interviews, activation of a sewage tipping fee for non-residents of Bifrost-Riverton could be a new potential source of revenue. It was indicated there is public support for the introduction of the practice, although never formally documented nor discussed in meetings. However, documented discussions regarding deficit recovery measures¹⁹ and wastewater rates²⁰ do exist in the Public Utilities Board archives, from 2019-20 and 2017 respectively, but do not address the issue of recouping costs from external parties dumping in the RM's lagoon.

From the Financial Statement Review section, it appears that water and waste services expenses outpace revenue generation for the municipality. Water and waste account for almost 2% of total expenses for Bifrost-Riverton while contributing to less than 1% of total revenue on average. As such, the notion should be discussed with Council and with the Public Utilities Board to assess feasibility of the practice for Bifrost-Riverton since only a general statement of an increase in expenses for water and waste is indicated as the main culprit behind the deficits in the Public Utilities Board documents.

Several municipalities in Manitoba have imposed sewage tipping fees, including:

- Birch River Lagoon - \$15.00 to a maximum of 1,500 gallons; \$30 to a maximum of 3,000 gallons;
- Neepawa Lagoon, Outside Town Boundaries – Residential \$25.88 per load fee, Commercial \$103.50 per load fee.

Recommendation

If increasing operational costs are correlated to non-residents using the lagoon freely, then imposing a tipping fee is advisable and should generate the necessary revenue to cover costs. At a minimum, this should ensure that residents of the municipality only pay amounts of what are required of them, and the municipality minimizes the risk of ending fiscal years in a deficit position for their water and waste services.

¹⁹ <http://www.pubmanitoba.ca/v1/proceedings-decisions/orders/water-orders.html>

²⁰ <http://www.pubmanitoba.ca/v1/proceedings-decisions/pubs/2017%20notices/bifrost-riverton%20-%20notice%20of%20application.pdf>

Conclusions

There are multiple detailed recommendations throughout this report, but there are two primary areas of concern that most of the areas of improvement stem from: shifting to a long-term fiscal planning focus and harvesting a stronger relationship for shared services with the Town of Arborg.

Long-Term Fiscal Planning

It is evident that short-term fiscal planning has prevailed in recent years, which can be partially explained by governing needs during a pandemic. This can be seen through the reduction of capital reserves, the increase in long-term debt, and the lack of long-term capital planning.

Council must shift priorities to ensure MBR is financially stable for future Councils and generations. This involves replenishing capital reserves, developing long-term infrastructure plans and following through on said plans. Long-term plans allow for more thought-out financial planning in the short-term and prepare ratepayers for the future by providing transparent and public infrastructure plans.

Relationship with the Town of Arborg

Consultation and financial review have revealed multiple difficulties between MBR and Arborg. This review focused on areas of shared services with operational budget implications between the two municipalities, such as emergency services, recreation services, and waste services. However, other issues were identified including the sharing of municipal water services and further development of the industrial park.

MBR Council needs to operate along a fine line of fostering a good relationship with Arborg while also maintaining control of its own budget. The increase in MBR's annual contribution to the operations of ABFES and ABPRC is unsustainable, and the municipality is paying more for these services than the other Manitoban municipalities compared in this review. The ideal solution would be for the two municipalities to take on a more regional approach for these services, such as merging the two fire departments to serve the entire region. If this approach is not taken, it would be in MBR's best interests to enforce greater control over the Committees and Boards of shared services. This may involve budget contribution freezes or requiring budget cuts to certain expenditure categories to bring MBR and Arborg's performance measures, such as fire services costs per \$1,000 of assessment or recreation costs per capita, more in line with other comparable municipalities.

Commendations

Analysis of MBR's current fiscal state reveals that the municipality is generally well managed and the risk of the corporation defaulting on its financial obligations is low. The municipality has weathered the last two years of the pandemic without having to implement any significant austerity measures, and there is a visible passion amongst Council and the Administration for the continued success of the community.

While this report has focused on identifying deficiencies and areas of improvement, multiple areas of fiscal strength were also identified. MBR's Council and Administration should be commended for the following practices and financial results:

- MBR's road maintenance costs per capita are lower than the other three comparative municipalities, likely due to the choice to continue maintaining gravel roads rather than converting to paved roads in high traffic areas.
- Financial results and capital investment in fire and emergency services through the Rbfd and ABFES point to an emphasis on public safety in the region. While fiscal improvements have been recommended in this area, the investment in equipment and infrastructure in recent years should set up the fire and emergency services well to continue providing an essential service for years to come.
- The completion of a recreation master plan in 2021 shows that leadership of MBR and Arborg are committed to recreation improvements in the region.
- MBR's accumulated surplus has grown consistently from 2017 to 2020, with an average annual rate of growth of 6.8%.
- After a dip in net income in 2018, net income grew on average 90% in both 2019 and 2020, showing that the municipality was able to financially weather the first year of the pandemic.
- MBR's current ratio grew consistently from a low of 1.80 in 2016 to 4.89 in 2020 as growth in financial assets outpaced growth in short-term liabilities. The improvement in current ratio has brought MBR more in line with its peers with current ratios ranging from 4.02 to 6.90 in 2020.
- MBR's share of operating costs for governance and corporate management as a percentage of total municipal costs was on the low-end relative to comparable municipalities.
- MBR's asset sustainability ratio is in line with comparable municipalities and remained steady for the review period, showing that the municipality is investing in infrastructure improvements.
- Residential building permits have grown significantly, from 32 in 2019 to 47 in 2020 and 46 in 2021, showing increasing interest in residential development in the municipality.
- Documentation of the evolution of the annual budget through multiple Council meetings is done well, with each new budget iteration clearly outlining the changes and presented in a format that is conducive to Council decision making.
- Moving the tax due date to the end of September from the end of October has helped the municipality save approximately \$10,000 in annual interest expenses on short-term financing that is generally required to bridge cash flow after the heavy summer spending months. This decision will further protect MBR's cash flow as interest rates continue to rise due to prevailing economic conditions.
- Council has already started the process of preparing the cottage lots for sale, and now just needs to follow through on the sale to begin generating new revenue for the municipality.

Summary of Recommendations

Table 27 summarizes the detailed recommendations provided throughout the body of this report.

Table 27: Summary of Recommendations

Section	Subsection	Recommendation
Governance Review		<ul style="list-style-type: none"> • MBR should adopt the new organizational chart and upload more budgeting responsibilities from Committees of Council to the CAO and Council, aside from just reviewing and approving the budgets sent to them by Committees of Council. • An update to the existing organizational by-law should outline more specific duties and functions for each committee, which would help set and communicate Council’s expectations and objectives for these committees. • The by-law should state that Committees do not have authority to approve expenditures. All expenditure requests must be recommended to Council for budget approval. • If the RBPRC it is in fact a Committee of Council, the Recreation Director and any other direct recreation staff should be considered employees of the municipality, with the Recreation Director reporting directly to the CAO. If the RBPRC is considered an independent organization that MBR provides funding to, it should be established as such through by-law amendments.
Department and Committee Review	Transportation	<ul style="list-style-type: none"> • MBR should re-establish a proper Transportation Services Committee (TSC) since transportation is the municipality’s largest expense. • The East and West Drainage Committees should be absorbed into the TSC.
Department and Committee Review	Fire Services	<ul style="list-style-type: none"> • Further explore the possibility of merging RBFD and ABFES with Arborg Council to recognize economies of scale and reduce the municipality’s high cost of fire and emergency services. • The CAO should be more involved in the financial governance and budgeting process of the RBFD. • A new capital reserve should be established for the RBFD for all new reserve contributions. The existing reserves should be retired and depleted per the constraints outlined under by-laws 10-2017 and 11-2017. • The Fire Hall Construction Committee should have to submit change orders to Council for approval as this is a financial decision impacting the municipal budget.

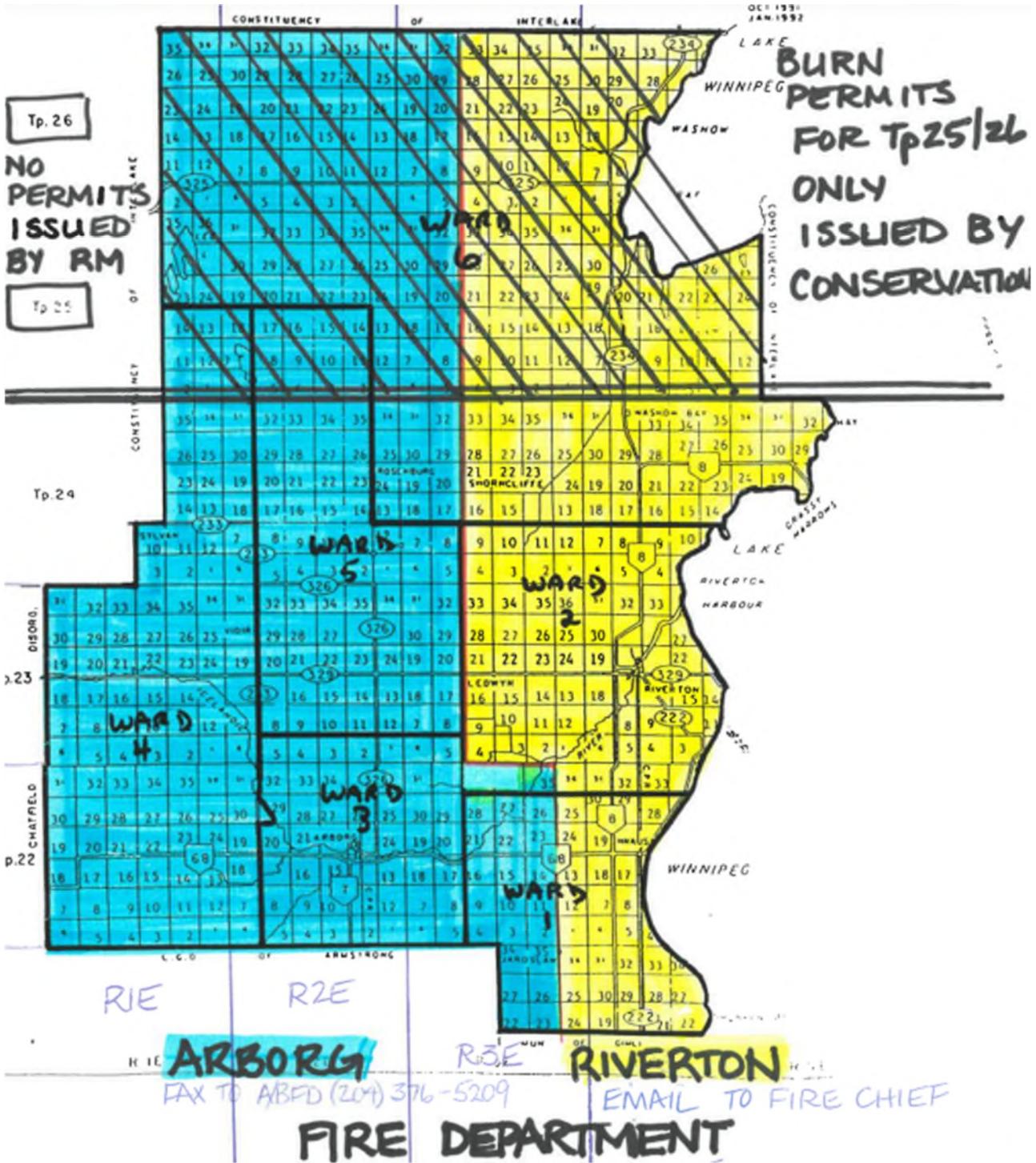
Section	Subsection	Recommendation
		<ul style="list-style-type: none"> • MBR's Council should be taking steps to ensure it has a say in the approval of the ABFES budget since it is a 50-50 partner in the organization. • The CAO from MBR should be more involved in the budgeting process of ABFES., including providing budget advice to the Fire Chief and Committee to prevent the budget from continually increasing at an unsustainable rate outside of MBR's expectations. • If no merger or departments, ABFES and MBR should establish a sharing agreement for specialized response equipment, such as the pumper truck, so that major capital purchases are not being duplicated in the region. • Continue allowing the RBFD to transfer operating surpluses to capital but work with the Committee to cap budget increases. An operating surplus implies they didn't need their full budget; they should not be requesting annual budget increases.
Department and Committee Review	Parks & Recreation Services	<ul style="list-style-type: none"> • The RBPRC (or asset management subcommittee) should be responsible for developing a minimum 10-year capital investment plan to be recommended to Council on an annual basis. • The RBPRC and its subcommittees should not have the authority to make spending decisions for unbudgeted projects. Council should be taking greater control of recreation spending decisions since MBR owns all municipal assets managed by the RBPRC and funds over 70% of the RBPRC's revenue. • It is appropriate to continue emphasizing volunteer labour for recreation programming for the RBPRC, but more of the financial management of parks and recreation facilities should be a collaborative effort between the RBPRC and MBR Administration. • A capital reserve for recreation should be established to help pay for the cost of capital improvements over the next 10 years and onwards. • MBR must renegotiate Arborg's proposed ABPRC agreement and re-establish some level of control over its contributions to the ABPRC while attempting to work collaboratively with Arborg. • MBR and/or Arborg should establish a capital reserve for the ABPRC, with both municipalities committing to a certain capital transfer annually to pay for future capital improvements. • The reserve fund(s) for RBPRC and ABPRC could be funded through new revenue sources, including increases to existing user fees, adding a facility renewal fee to program registration, or through a separate mill rate or special reserve tax levy.
Department and	B.A.R. Waste Authority Co-op	<ul style="list-style-type: none"> • A new revenue and cost sharing agreement should be put in place through a municipal by-law adopted by MBR and Arborg.

Section	Subsection	Recommendation
Committee Review		<ul style="list-style-type: none"> • Credits should only be issued to the municipalities when BAR has the cash flow to meet its regular quarterly obligations.. • A capital reserve should be established, with both municipalities committing to a certain percentage of annual BAR operating costs being transferred to the reserve. • The annual budget for BAR should include a line for the landfill liability accretion expense, with related contributions from MBR and Arborg being put into a reserve for future landfill closure costs.
Financial Statement Review		<ul style="list-style-type: none"> • Trending decline in user fees indicates user fees and charges should be reviewed for pricing adjustments and revenue generating opportunities. • Reserves reached their lowest level in 2021 since their establishment. More contributions to reserves should be made, whether directly, passively, or a combination of both measures. • Reserve funds should be actively monitored, and any expenditures should be timed accordingly to minimize unexpected depletion of funds and extension of long-term debt. • Recreation reserve fund or funds should be established and funded appropriately for overall visibility and budgeting control over RBPRC and ABPRC capital improvements. • The re-establishment of the TSC will improve long-term infrastructure planning and provide recommendations for the appropriate level of reserve funding. • The CAO should develop a package of performance measures to deliver to Council periodically (at minimum annually), including the performance measures outlined in this document. Council should review the report to evaluate their performance and guide policy changes.
Budgeting Process Review		<ul style="list-style-type: none"> • Budget deadlines should be formally established under an organizational financial policy or by-law to provide transparency on the budgeting process to all stakeholders. • Long-term capital expenditure plans should be established by Council or the TSC, with projects prioritized by level of need for budgeting purposes. • Council should focus on replenishing capital reserves to help fund the long-term infrastructure needs of future generations. Where a reserve has not been established and a capital cost requires new borrowing, Council should either set up a special mill rate to match the cost of the debt servicing or increase its general mill rate.
Administrative Process Review	Multiple Pay Period Cut-Offs	<ul style="list-style-type: none"> • The pay periods for Administration and Public Works should be aligned using the arrears payroll methodology.

Section	Subsection	Recommendation
		<ul style="list-style-type: none"> Administrative employees with a reduced cheque during the transition period should be given the option of a vacation day payout or salary advance to make up the one-time difference.
Administrative Process Review	Bank Time Leave Tracking	<ul style="list-style-type: none"> Policy should be amended to state that the payroll administrator will top up any time sheets requiring full-time hours using bank time unless stated otherwise by the employee or their supervisor.
Administrative Process Review	No Finance Committee	<ul style="list-style-type: none"> Council should establish a Finance Committee to provide oversight and recommendations on the following: <ul style="list-style-type: none"> Review and recommend the budget to Council Monitoring financial performance and adherence to budget Recommend an auditor to Council Review the audit report and present to Council Review and present other financial reports to Council for approval Review and recommend financial policy and internal controls to Council for approval.
Administrative Process Review	Municipal Credit Card Usage	<ul style="list-style-type: none"> Issue additional credit cards to individuals authorized by Council to reduce transactional level administration. Draft and recommend a new municipal credit card usage policy for Council's approval.
Administrative Process Review	No Automatic Bill Payments	<ul style="list-style-type: none"> Implement automatic bill payments for monthly recurring vendor payments of a relatively consistent value. Council must approve each individual vendor qualified for automatic bill payment based on a recommendation by the CAO. If online bill payment is preferred, Council must authorize the CAO and/or ACAO to have access to the EFT function.
Administrative Process Review	Limited Online Deposits	<ul style="list-style-type: none"> Revisit the option to add MBR as a payee with more financial institutions. Look at other local banking service providers who may have cheaper access to online bill payments with the major Canadian financial institutions.
Administrative Process Review	Antiquated Zoning By-Law	<ul style="list-style-type: none"> Pursue an update to the zoning by-law.
Administrative Process Review	Inadequate Asset Disposal Policy	<ul style="list-style-type: none"> Policy should be developed that outlines the preferred method for asset disposals and sales.

Section	Subsection	Recommendation
Taxation & Other Revenue Review	Mill Rate	<ul style="list-style-type: none"> Levy special mill rates for capital reserves and/or debt financing, providing for passive fiscal management of capital reserves and ensuring cash is available to pay for capital expenditures and unforeseen expenses.
Taxation & Other Revenue Review	User Fees and Charges	<ul style="list-style-type: none"> Review and adjust the existing user fees and charges for municipal services to be more commensurate with current economic conditions and to reflect the true cost of administration. Conduct analysis on the actual cost, including labour and fuel, to deliver dust control applications and adjust the fee accordingly. Increase the fee associated with unsightly grass and weed offences.
Taxation & Other Revenue Review	Sale of Cottage Lots	<ul style="list-style-type: none"> Council should direct its focus to the sale of residential lots due to the increasing demand for housing in the region. Revenue from the sale of municipal owned property should be directed towards capital reserves. Municipal property sales should include conditions that the property be developed in the near term (3 years or less) to capitalize on property taxes from the full assessment potential.
Taxation & Other Revenue Review	Accommodation Tax	<ul style="list-style-type: none"> MBR should explore option to levy an accommodation tax or flat fee per night. Municipalities are free to levy an accommodation tax if deemed necessary. However, it is expected such a tax would have minimal impact on MBR's financial position.
Taxation & Other Revenue Review	Business Licencing	<ul style="list-style-type: none"> MBR should require all businesses, fixed or transient, to obtain a business licence and renew annually. This provides a small stream of consistent revenue for MBR but also provides Council with insightful data on businesses operating in the RM. If implemented, a fine for failure to obtain a licence should also be added to the user fees and charges.
Taxation & Other Revenue Review	Tipping Fee	<ul style="list-style-type: none"> Charge a tipping fee for external users of the lagoon. This ensures the costs borne by residents are reflective of actual use and external users pay their fair share for service.

Appendix A – Emergency Services Districts



Appendix B – Pay Period Model Transition

This model shows the 14-day pay period cycle with each pay period represented by a different colour, assuming a \$2,000 pay cheque for an employee. In a transition to an arrears pay model, the Administration employee will receive a one-time shortened pay period pay of \$1,000 on the second Friday. The difference should be covered by a pay-out of vacation time or a payroll advance to ensure no one is underpaid during the transition.

Day of Week	Paydays	Current Model		Transition Model	
		Administration	Public Works	Administration	Public Works
Monday					
Tuesday					
Wednesday					
Thursday					
Friday	Pay	\$2,000	\$2,000	\$2,000	\$2,000
Saturday					
Sunday					
Monday					
Tuesday					
Wednesday					
Thursday					
Friday					
Saturday					
Sunday					
Monday					
Tuesday					
Wednesday					
Thursday					
Friday	Pay	\$2,000	\$2,000	\$1,000	\$2,000
Saturday					
Sunday					
Monday					
Tuesday					
Wednesday					
Thursday					
Friday					
Saturday					
Sunday					
Monday					
Tuesday					
Wednesday					
Thursday					
Friday	Pay	\$2,000	\$2,000	\$2,000	\$2,000
Total Pay		\$6,000	\$6,000	\$5,000	\$6,000

Appendix C – March 2020 Amended By-Law 07-2015 Schedule A

THE MUNICIPALITY OF BIFROST-RIVERTON
BY-LAW 7-2015
~AMENDED March, 2020~ SCHEDULE "A"

ITEM	CHARGE
1	Business License – Non-resident Ward 6 \$100.00 per month
2	Civic Addressing Sign (complete) \$65.00
3	Civic Addressing Sign – New Blade only \$35.00
4	Civic Addressing – Replacement Post only \$30.00
5	Civic Addressing – Installation only \$100.00
6	Civic Addressing – New Subdivision Actual Cost
7	Dog License \$20.00 per calendar year
8	Driveway Application (Wards 1-6) \$40.00
9	Driveway Application (Ward 7) \$100.00 Residential \$125.00 Commercial
10	Dust Control Actual cost of product/litre rounded to nearest dollar in 150m lengths, 12ft or 16ft widths. Administration Fee \$40.00
11	Faxes Sent \$1.00 per page
12	Lottery License 1% or \$5.00 minimum
13	Grass/Weed Cutting Actual Cost Administration Fee \$50.00 per offence
14	Maps – Black & White \$25.00
15	Maps – Colored \$35.00
16	Marriage License \$100.00
17	Municipal Insurance Program Actual Cost Annual Administration Fee \$25.00
18	Municipal Insurance Program Admin fee for processing claim per ½ hr. \$15.00
19	NSF Cheques \$45.00
20	Penalties on Arrears (Tax & Accts. Rec.) 1.25% per month
21	Photocopy – Black & White \$0.25 per page
22	Photocopy - Colour \$0.50 per page
23	Rental – Council Chamber ½ day \$50.00
24	Rental – Council Chamber full day \$100.00
25	Rental – Use of kitchen with C.C. rental \$30.00
26	Rental – Coffee, per pot \$10.00
27	Search & Preparation of Information, per ½ hour (NOTE: Where the applicant is requesting information under FIPPA, the first 2 hours of searching are free, as are the first 50 pages of photocopying.) \$15.00
28	Search & Preparation of Historical Information: First ½ hour \$25.00 Every subsequent ½ hours \$20.00
29	Sewer Service Application \$100.00 Residential \$200.00 Commercial

30	Tax Certificate \$35.00 per roll no.
32	Equipment Rental: a) All Municipal Equipment As per the Current MHCA Equipment Rental Rates
33	Beavers a) Mileage \$50.00 per beaver \$0.44/km
34	Tree Removal Fine Cost of Replacement Tree Plus \$500.00 Administration Fee

Appendix D – Documentation Review

Table 28 lists each by-law, policy, and other MBR government documents analyzed to complete this review. By-laws included in this list but not referenced in the body of the report were reviewed but there were no significant issues or deficiencies identified. By-laws and policies not referenced in this list were deemed to be irrelevant to a fiscal review of the government.

Table 28: MBR Documentation Reviewed for this Report

By-Laws	Policies & Other Reports
2-2021: Procedures By-law	2020-04: Municipal Tendering & Procurement
9-2020: Organizational By-law	2021-02: Tax Installment Payment Plan
15-2018: Council Procedure	2012-05: Disposal of Assets
20-2017: Arborg-Bifrost Fire Dept.	2019-01: Asset Management Program Policy
5-2017: Riverton-Bifrost Fire Dept.	2020-5: Consolidated Leave
10-2015: Unsightly Property	MBR Audited Financial Statements 2015 to 2020
1-2022: ABFES Pumper Truck	Unaudited Financial Reports and General Ledger Data 2021
3-2022: BAR Waste Expansion	Municipal Financial Plans 2017 to 2022
2-2022: Council Indemnities	Audited Financial Statements for Committees of Council 2018 to 2020
1-2021: MBR Fire Hall Borrowing	Property Assessment Summaries 2019 - 2022
6-2018: Reserve Funds	BAR Waste Annual Financial Reconciliations, 2019 to 2021
14-2017: Building Reserve Fund	2022 Budget development presentations to Council
13-2017: Urban Utility Reserve	ABFES & Rbfd Payroll Logs (for service call counts)
10-2017: Rural Fire Equipment Reserve	Noventis Credit Union Loan Statements
11-2017: Urban Fire Equipment Reserve	Council Meeting Minutes from 2021
25-2017: Economic Development Reserve	
8-2017: General Reserve	

By-Laws	Policies & Other Reports
7-2015: Capital Development and Improvement Reserve	
16-2015: Machinery and Equipment Reserve	
15-2015: Drainage Reserve for Rural Area	
1-2021: Borrowing for Riverton Fire Hall	
2-2021: Procedures By-law	
4-2014 & 7-2015: User Fees	
Tax Levy By-laws 2017 to 2021	



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