

July 5, 2022

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**RE: 2022/23 Municipal Service Delivery Improvement Program: Town of Arborg – Value for Money Service Delivery Review**

Dear Cindy,

In accordance with the above referenced contract MNP submits the enclosed final report. Copies of the attached are also being provided to Manitoba Municipal Relations.

We greatly enjoyed working with the Town of Arborg and look forward to working with you again in the future. Should you have any questions please contact Chad Lins at 204-336-6196 or [chad.lins@mnp.ca](mailto:chad.lins@mnp.ca)

Yours truly,

MNP LLP



Chad Lins, MBA, CPA, CMA, BSAg  
Partner, Consulting Services

Enclosure(s): Town of Arborg – Value for Money Service Delivery Review Report

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**ACCEPTANCE OF DELIVERABLES**

The final report has been reviewed and agreed to by MNP and the Town of Arborg

On behalf of MNP LLP



Signature

Chad Lins, Partner

Name

July 5, 2023

Date

On behalf of the Town of Arborg



Signature

Cindy Stansell, CAO

Name

July 5, 2023

Date

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# Municipal Service Delivery Improvement Program

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MNP Consulting Services

Prepared for **Manitoba Municipal Relations**

June 2023

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# Executive Summary

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The Town of Arborg (“Arborg” or “The Town”) requested a value-for-money service delivery review of its fiscal services and shared services with the Municipality of Bifrost-Riverton (MBR). This review has been conducted as part of the Government of Manitoba’s Municipal Service Delivery Improvement Program (MSDIP). The objectives of this review include:

1. Evaluate the fiscal and shared services of Arborg, including protective, recreation, and water and sewer services and develop recommendation(s) for improvement.
2. Develop recommendations for change for an improved capital fund and reserve fund plan.
3. Identify additional potential opportunities for shared services to maximize value-for-money and minimize pressure on taxes.

A MSDIP review was conducted for MBR in 2022 that focused on MBR’s fiscal position and detailed challenges with Arborg’s shared services. This report builds on findings from the 2022 report with a primary focus on Arborg’s contributions and perspectives to regional shared services.

Interviews were conducted with Arborg’s Members of Council and staff, including the CAO, Assistant CAO, Public Works Supervisor, Recreation Director, and Deputy Fire Chief. Interviewees shared the general sentiment that Arborg is well-managed both operationally and financially, and that the Town’s relationship with MBR has been improving over the last year. Multiple challenges identified during the interview process included:

- Contention regarding shared services cost sharing between municipalities
- Increasing fire services and recreation budgets
- A novice public works department
- A short-staffed recreation service relying heavily on volunteers
- Delays in development of the Industrial Park adjacent to the Town.

The challenges identified through the interview process guided the areas of focus for this review, including a review of governance, shared services, industrial park development, development incentives, fiscal health, and taxation and other revenue.

## Governance

Arborg’s organizational structure is simple and efficient, with members of Council and the Administration having a clear understanding of the reporting lines of authority. However, several challenges were identified with the shared services departments and commissions:

- The administrative functions of the Arborg Bifrost Fire and Emergency Services (ABFES) change hands between Arborg and MBR every 5 years. This was initially intended as a gesture of goodwill to share responsibility but has created confusion in the changeover years.
- The Arborg Bifrost Parks and Recreation Commission (ABPRC) is a separate reporting entity from the Town and recent board member and staff changes at the ABPRC and the municipalities has led to the loss of institutional knowledge and caused some confusion over roles and responsibilities.

Recommendations related to the governance review include keeping the administrative functions of the ABFES with a single municipality that provides all necessary and requested reporting to the other municipality, updating the ABPRC organizational by-law to replace the 20-year-old establishment by-law and enshrining the ABPRC's organizational structure for future board members and staff.

## Shared Services Review

### Fire Services

Interviewees stated a belief that Arborg's current share of operational costs of the ABFES is not commensurate to the level of service being provided to each municipality. Arborg and MBR split the operational costs of the ABFES 45% and 55%, respectively. Calls for service in the ABFES emergency services district within Arborg averaged 26% from 2018 to 2022, calls within MBR averaged 43% and calls for Mutual Aid averaged 31%. Responder wages were split 24% to the urban area, 44% to the rural area, and 32% to Mutual Aid.

Capital costs for the ABFES are generally split evenly between Arborg and MBR, depending on the intended use of the equipment. The planned purchase of a new rescue truck in 2023 will reduce the ABFES capital reserve by 80%, and the Town has budgeted a \$10,000 provision in the 2023 financial plan using a special area levy of 0.173 mills.

The ABFES's operating budget increased from \$140,000 in 2018 to \$185,000 in 2022. However, actual operating costs over that period ranged from a low of \$96,000 to \$140,000. The ability for the ABFES to transfer operating surpluses into its capital fund may have contributed to the motivation for continual budget increases that were not grounded in realistic operating cost estimates.

An analysis of Arborg's fire services should also consider the Riverton-Bifrost Fire Department (Rbfd). The Rbfd is funded solely by MBR, thus MBR has interests in 2 fire departments and the financial requirements of one department could impact funding to the other.

Recommendations to fire services include the same recommendation from MBR's 2022 MSDIP report of consolidating the fire departments into a single regional fire department to promote shared services and reduce operational and capital costs. Absent consolidation, it is recommended the ABFES and the Rbfd establish an equipment sharing agreement to reduce duplication of investment, and that the ABFES's operating budget be reduced with an offsetting increase to the capital reserve. It is recommended Arborg maintain the 45/55 operating cost sharing agreement as changes would have an immaterial impact on Arborg's share of the budget and create conflict between municipalities. A further comparative analysis of the share of mutual aid calls in other Fire Departments in Manitoba should be conducted to determine if ABFES's current share is higher than normal.

### Parks and Recreation Services

The ABPRC has successfully implemented certain recommendations from the 2021 Recreation Master Plan, such as measures to improve volunteer retention. However, major recommendations such as the establishment of a long-term capital plan and improved collaboration between municipalities have not been prioritized.

The facility assessment in the Master Plan identified \$1.2 million in capital investment required over the next 10 years to maintain Arborg's recreation facilities. The Town created a new recreation reserve but is only budgeting a provision of \$10,000 in 2024. Multiple interviewees expressed concern with the potential financial and operational ramifications of unexpected equipment failure, such as the aging ice plant equipment at the arena.

Operationally, the ABPRC generated a net surplus in 2021 and 2022 and increased its share of revenue from operations to 48% in 2022, with 40% of revenue funding shared by Arborg and MBR. Funding from the municipalities increased by an average of 11% per year from 2018 to 2022, but municipal funding for the ABPRC remained flat at 2022 levels in the 2023 budget.

Recommendations in the parks and recreation review include the development of a 10-year capital plan, with the ABPRC and Council working together to establish an appropriate amount for reserve provisions tied to the capital plan. In addition, the ABPRC should improve collaboration with the Riverton Bifrost Parks and Recreation Commission (RBPRC), with both commissions working together on a vision for a long-term regional recreation plan that considers facility consolidation at the end of useful life of the existing facilities.

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

Arborg's Council members and staff believe that the current cost sharing structure for BAR is fair and that the landfill has the resources it needs to continue operating into the foreseeable future. Concerns raised in MBR's 2022 report that persist are the lack of a capital reserve to cover the cost of future landfill expansion or closure and post-closure care costs, and that there is no formal policy or by-law outlining the cost sharing agreement between municipalities.

It is recommended that a new revenue and cost sharing agreement for BAR be put in place through a municipal by-law adopted by both MBR and Arborg, and that a capital reserve be established for future landfill investment.

## **Water & Sewer**

Arborg's current water and wastewater rates were approved in 2015, subject to a revision requirement from the Public Utilities Board (PUB) in 2019 which has not yet occurred. Arborg has a shared service agreement to provide nearby properties in MBR with water and sewer services, with MBR responsible for water and sewer infrastructure costs and Arborg providing water for a share of the property tax revenue. The agreement was made in 2008 prior to the amalgamation of the RM of Bifrost and the village of Riverton. Post-amalgamation, competing water services priorities have caused delays in the development of water infrastructure in properties adjacent to Arborg, specifically in the industrial park, hindering regional economic growth.

It is recommended that Arborg conduct a new tariff rate study and submit an application to the PUB for an adjustment to ensure rates are up-to-date and utility costs are being properly funded. The existing shared services agreement should also be revised to account for MBR Council's need to serve the Riverton population centre. A new agreement could involve Arborg sharing in the capital costs for properties adjacent to the Town in exchange for a higher share of property taxes. Lastly, Arborg and MBR should consider establishing a regional water and wastewater co-operative with other municipalities in the North Interlake to promote regional water resource planning and resource sharing.

## Industrial Park Review

Both Arborg and MBR have an interest in further developing the existing industrial park adjacent to Arborg. Several businesses have expressed interest in new developments and expansions in the industrial park but have delayed due to the lack of water servicing to the properties. MBR has earmarked \$3 million for industrial park water infrastructure in its long-term capital plan since 2020 but has continued to push the project forward in subsequent budgets.

Several options have been identified for Arborg to advance development plans:

- Annex the land to make the industrial park part of Arborg. There is already a relatively strong case for the land becoming part of Arborg, with the Town having the ability to provide water and sewer servicing, and businesses coming to Arborg's Councillors with their plans and visions for the land. The net present value of future taxes generated by the industrial park in its current form is \$2.2 million, so consideration in an annexation agreement would likely need to be commensurate.
- Renegotiate the water and sewer sharing agreement to include a provision for joint infrastructure development in the industrial zone. Future load estimation should also form the basis for determining fair compensation for capital investment in maintaining and enhancing Arborg's water service supply capacity.

## Development Incentive Comparison

Arborg's residential and commercial property development incentives provide relatively competitive tax rebates to developers compared to other comparable towns in Manitoba. However, MBR's development incentive program for commercial development is strictly more generous than Arborg's program, so developers looking to build in the region may be more compelled to build in the rural municipality over the town. It is recommended that Arborg engage with local property developers to gather feedback on the effectiveness of the Town's development incentive program and use that feedback to better meet the needs of potential investors.

## Fiscal Review

Arborg's financial statements and financial plans present a fiscally strong town that weathered the pandemic without implementing any significant austerity measures. Audited financial results were only available up to 2020, but unaudited financial plans from 2021 to 2023 were used for more up to date financial analysis. Key findings from the fiscal review include:

- Financial assets had a cumulative annual growth rate (CAGR) of 22.03% from 2017 to 2020 (audited).
- Liabilities declined with a CAGR of -4.52% from 2017 to 2020 as the Town paid down debts.
- The Town's accumulated surplus grew from \$8.5 million to \$9.6 million from 2017 to 2020.
- On average, property taxes account for approximately 41% of Arborg's total revenue, right in line with the comparable town range of 39% to 52%.
- Revenue from water and sewer accounts for approximately 20% of Arborg's total revenue, and the utility is self-funding, generating a cumulative operating surplus of \$30,931 from 2017 to 2020.



- Revenue from user fees declined from \$321,807 in 2017 to \$219,332 in 2020.
- Arborg's recreation and cultural expenses made up approximately 18.5% of total spending from 2017 to 2020, fairly in line with the comparative town average of 17.4%.
- Total reserve funds grew from \$802,261 in 2017 to \$2,634,733 at the end of 2022 (unaudited).
- Special area levies for reserves peaked in 2019 at 2.17 mills and have declined to 0.952 for 2023.
- Arborg had \$1,687 in reserves per capita at the end of 2020 (audited), behind the Town of Lac du Bonnet (\$3,469), but ahead of Teulon (\$1,261) and Carberry (\$367).
- Arborg's 2023 capital expenditure plan includes \$3 million in budgeted spending, with \$1.8 million borne by reserves. This is the highest capital spending observed over the reviewed period and will materially reduce the Town's reserve funds.
- Long-term debt ranged from \$890,000 to \$1.2 million between 2019 to 2023, with all borrowings covered by debenture mill rates (2.65 mills in 2023).
- Ratio analysis shows some concern regarding Arborg's asset sustainability ratio at an average of 0.64 from 2017 to 2020, with asset depreciation outpacing infrastructure investment. The comparative towns' asset sustainability ratios ranged from 1.67 (Teulon) to 1.88 (Carberry).
- Arborg has the lowest governance and corporate management costs as a percentage of total municipal costs compared to other towns, demonstrating cost-efficient administrative services.

Recommendations from the fiscal review include:

- Having a serious discussion with the Town's auditor and implementing control measures to ensure future audited financial statements are received in a timely manner. On-time financial reporting is important for relevant information in Council's decision-making processes.
- Increasing the reserve provision for the utilities, building, and equipment reserves. Reserve provisions in 2023 were not updated sufficiently given Arborg's planned withdrawal of \$1.8 million for capital expenditures. Each reserve should be restored to its historical maximum, at minimum, until reserves have been sufficiently refilled. Implementing higher levies for reserves sooner will ensure the Town does not need to rely significantly on borrowing for future capital expenditures at higher rates for taxpayers.
- Reviewing the current useful life accounting policy being used for depreciation of capital assets. It appears that Arborg is using a slightly more aggressive depreciation rate than the comparable towns which may be increasing depreciation and reducing the town's asset sustainability ratio.

## Taxation Review

Arborg's effective mill rate (total municipal tax revenue divided by total taxable assessed value) remained relatively consistent between 23 to 24 mills from 2018 to 2022. Other municipalities ranged from 18.64 to 26.52 mills in 2023, with an average of 22.34 mills. Given the comparative analysis, Arborg's municipal tax rate is only slightly above average but there was no indication from the interviews that Councillors feel over-taxed.

## Commendations

Arborg demonstrated an efficient and well-managed municipality and should be commended for the following practices and results:



- The improving relationship between Arborg and MBR Councils
- The good relationship between Arborg's Council and its Administration
- The ABFES's actual operating expenditures have not increased above the level set in 2018
- The success of the ABPRC's first volunteer recognition gala in 2022
- A successful expansion of the BAR Waste landfill and perceived equitable cost sharing with MBR
- Growing the Town's accumulated surplus during the pandemic
- Growing reserve funds to over \$2.6 million at the end of 2022
- Maintaining a relatively consistent tax rate over the review period

## Conclusion

The findings of this review can conclude that Arborg is fiscally stable and that shared services agreements could use some tweaks but are far from broken. The main recurring theme observed across multiple departments and shared services is the need for improved long-term capital planning.

Arborg's capital reserves have benefitted from years of relatively low capital expenditures, but the Town's planned capital expenditures in 2023 are the highest observed over the reviewed period and they will reduce the reserves by over \$1.8 million. To continue provisioning the same amounts from the 2022 budget for reserves after this draw-down will hinder future infrastructure replacement and force the Town to borrow to fund capital projects.

Each shared service should be presenting a long-term capital plan (5- to 10-years) to Council that is tied to a funding plan. Council can then use these long-term capital plans to determine the appropriate reserve provision needed to meet the Town's long-term capital requirements.

# Introduction

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The Town of Arborg (Arborg) has requested a value-for-money audit of its fiscal services and shared services with the Municipality of Bifrost-Riverton (MBR), including protective, recreation, and water and sewer services. This review will provide an analysis of Arborg's existing services, alternative service delivery options, recommendations for the improvement of fiscal operations and potential cost mitigations independent of service reductions.

## Objectives

The overarching goal of this review is to provide recommendations that will contribute to the long-term sustainability of Arborg and its shared services partners. This report is intended to inform the development of new municipal policies, fiscal planning and decision-making, shared services agreements, and revised user fees. The specific objectives of this review include:

4. Evaluate the fiscal and shared services of Arborg, including protective, recreation, and water and sewer services and develop recommendation(s) for improvement.
5. Develop recommendations for change for an improved capital fund and reserve fund plan.
6. Identify additional potential opportunities for shared services to maximize value-for-money and minimize pressure on taxes.

This report also serves as a supplementary report to the 2022 Municipal Service Delivery Improvement Program Review of the Municipality of Bifrost-Riverton report. The 2022 report focused on MBR's fiscal health, operational improvements, and touched on challenges with MBR's shared services with Arborg. This report builds on findings from the 2022 report with a primary focus on Arborg's contributions and perspectives.

## Methodology

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

- Interviews with municipal operators and members of Council, including:
  - Five (5) members of the Arborg Municipal Council, including the Mayor and Deputy Mayor
  - Chief Administrative Officer (CAO)
  - Assistant CAO
  - Department of Public Works Supervisor
  - Director of Recreation – Arborg Bifrost Parks & Recreation Commission
  - Deputy Fire Chief – Arborg Bifrost Fire & Emergency Services
- Review of documents shared by the municipality, including by-laws, policies, audited financial statements, financial plans, and other municipal documentation. A comprehensive list of the documents used in the development of this report is included in Appendix A.
- Review of publicly available documents, including *The Manitoba Municipal Act*, public documents on [townofarborg.com](http://townofarborg.com), and other public statistics and financial information.

- Comparative research on municipalities with similar attributes. This review selected the towns of Carberry, Lac Du Bonnet, and Teulon to develop benchmark comparisons for Arborg due to their similar size (Table 1). The nature of these benchmark towns operating as self-governing entities within the geographic boundaries of another surrounding municipality also provided information on alternative cost sharing agreements for comparison.

Table 1: Comparative Towns Reviewed

Town	Population (2021)	Population (2006)	15-Year Population Growth	General Municipal Taxable Assessment (2022)	Surrounding Municipality
Arborg	1,279	1,021	25.3%	\$50,025,850	Bifrost-Riverton
Carberry	1,818	1,502	21.0%	\$71,663,090	North Cypress-Langford
Lac du Bonnet	1,064	1,009	5.5%	\$59,020,620	RM of Lac-du-Bonnet
Teulon	1,196	1,124	6.4%	\$52,921,300	RM of Rockwood

## Comparison to the Municipality of Bifrost-Riverton.

As MBR’s population is greater than that of Arborg (pop. 3,320 in 2021), MBR will not be used as a direct comparison of financial results or ratios as it is comprised primarily of rural and agricultural property with differing needs from a town like Arborg. However, a review of the shared services between Arborg and MBR is necessary to understand the municipal needs of the regional populace.

## Performance Measures

Manitoba does not require specific reporting of performance measures from municipalities. This report references performance metrics from the Province of Ontario’s Municipal Performance Measure Program (MPMP)<sup>1</sup>. While the last available reporting period in the MPMP was in 2013, many of the performance metrics used still provide valuable insight for municipal administration and have been used to compare Arborg to the comparative municipalities throughout this report.

## About Arborg & Bifrost-Riverton

The Town of Arborg is in the Interlake Region of Manitoba, approximately 100 kilometers north of Winnipeg. Arborg is surrounded by the Municipality of Bifrost-Riverton and is located near the western shore of Lake Winnipeg and Hecla-Grindstone Provincial Park. Arborg and MBR share multiple municipal services such as Fire and Emergency, Recreation, and Landfill services. Certain governance and oversight responsibilities are delegated to joint committees formed by members of each municipality as directed by each municipal council.

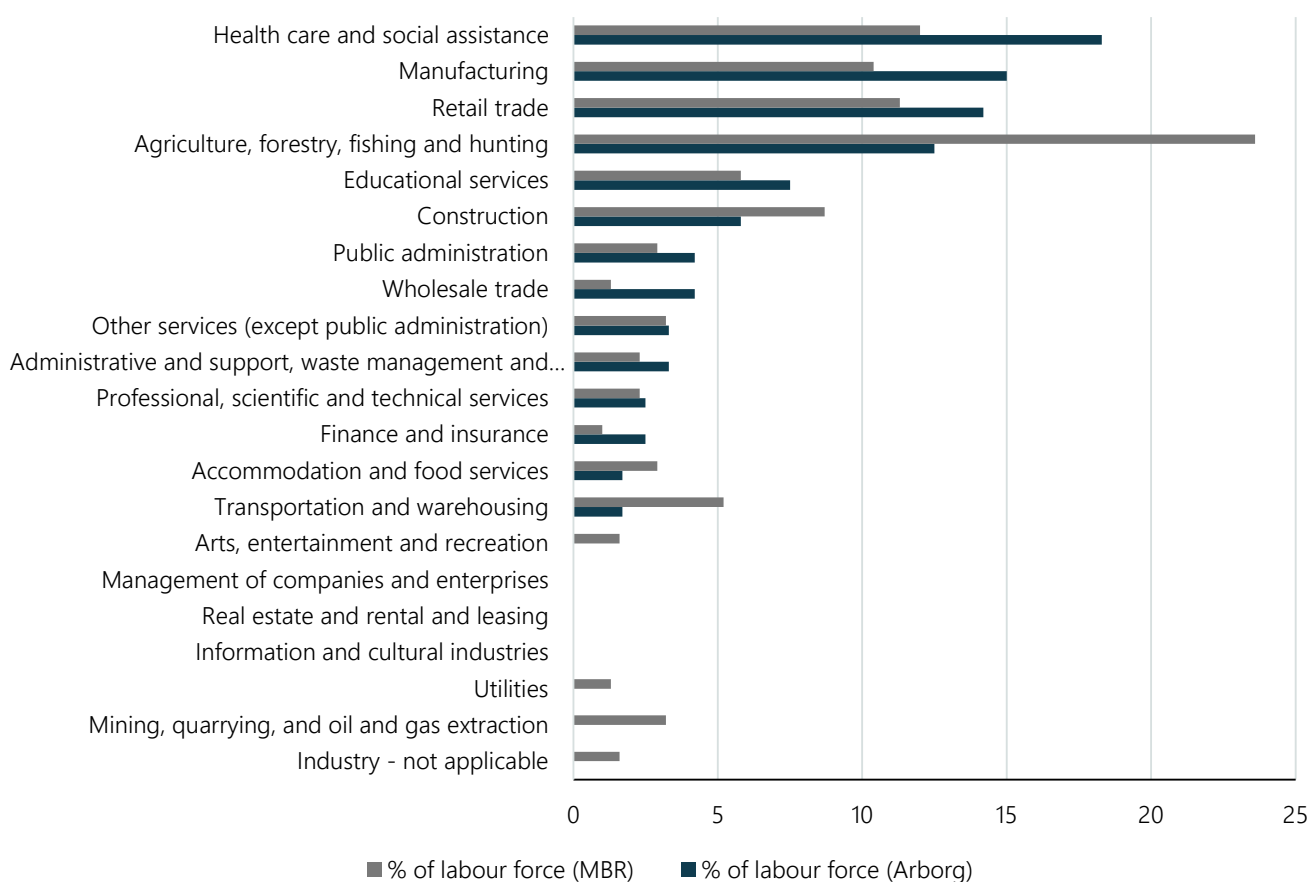
<sup>1</sup> <https://data.ontario.ca/dataset/municipal-performance-measurement-program>

The main economic drivers in the region are:

- Agriculture, forestry, fishing, and hunting
- Health care and social assistance
- Manufacturing
- Retail

Those four (4) sectors comprise approximately 60% of Arborg’s labour force and 57% of MBR’s labour force, respectively. Figure 1 indicates that Arborg’s labour force is more concentrated in the health care and social assistance sector (18.3% Arborg; 12% MBR), while MBR is more focused on agriculture and its auxiliary activities (12.5% Arborg; 23.6% MBR)<sup>2</sup>.

Figure 1: Regional Industries by Percentage of Labour Force (NAICS 2017)

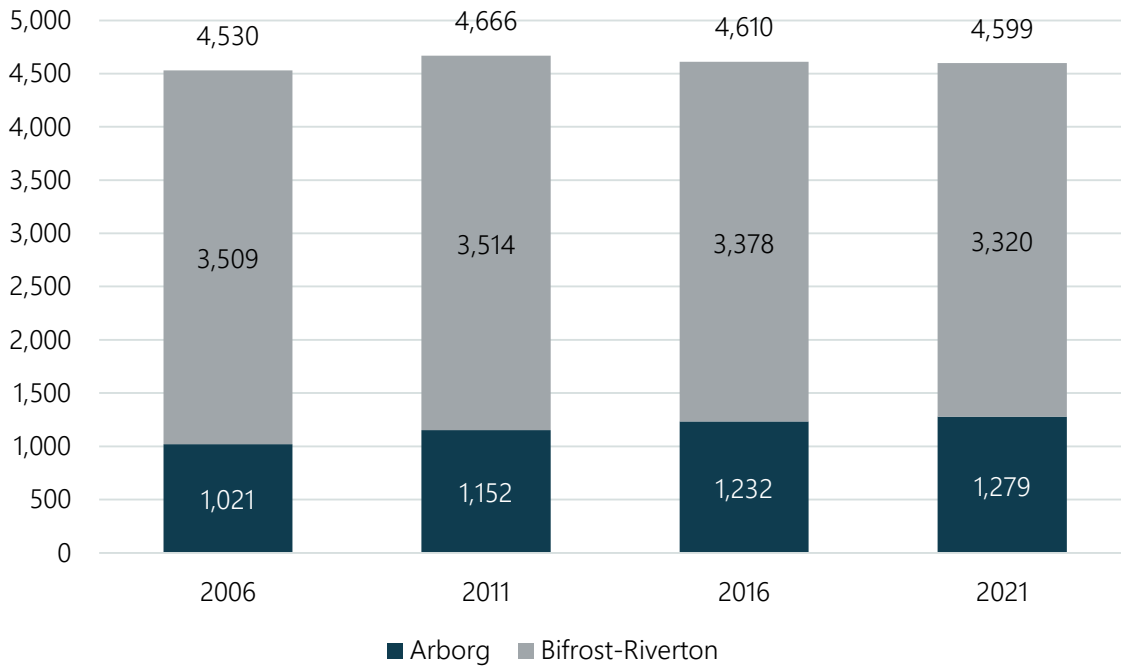


<sup>2</sup> Statistics Canada. 2023. (table). *Census Profile*. 2021 Census of Population. Statistics Canada Catalogue no. 98-316-X2021001. Ottawa. Released February 8, 2023. <https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/index.cfm?Lang=E> (accessed March 21, 2023).

## Regional Population

Figure 2 provides a comparative visual of Arborg’s and MBR’s populations over the last four (4) census years. Arborg reported a population of 1,279 on the 2021 census. The total regional population in 2021 was 4,599 when combined with MBR. Comparing the last 15 years of census data, Arborg’s population grew 25% (258 people), while MBR’s population declined 5% (-189 people). The regional net population growth over the same period is 1.5% (or 0.1% annualized), driven by Arborg’s relative growth.

Figure 2: Regional Population Statistics, 2006 to 2021



# Stakeholder Interviews

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Members of Council and Town of Arborg staff were invited to participate in interviews for insight on the current state of municipal operations as well as to discuss the municipal services delivery improvement project and the project's objectives. Interviews were conducted with the following:

1. Five (5) members of the Arborg Municipal Council, including the Mayor and Deputy Mayor
2. CAO
3. Assistant CAO
4. Department of Public Works Supervisor
5. Director of Recreation – Arborg Bifrost Parks & Recreation Commission
6. Deputy Fire Chief – Arborg Bifrost Fire & Emergency Services

The interviewed individuals are referred to as stakeholders throughout this report. This section details the opinions and perceptions of the individuals interviewed for this review.

## Perceived Strengths

The interview process identified several themes as perceived strengths of the municipality as identified by stakeholders. These themes are based on the aggregate opinions of interviewed stakeholders. Subsequent sections of this report will assess the accuracy of these perceptions using qualitative and quantitative evidence where available.

## Effective Operational Performance and Planning

- Council members communicate and work well with each other. Discussions among members pertinent to municipal needs such as budget development and long-term plans for infrastructure and equipment are perceived as collaborative, without conflict, and realistic.
- The CAO is perceived to be strong at budget development and understanding financial reports. Council reports having a strong working relationship with the CAO.
- Financial reports provided by the CAO to Council provide good insight for effective decision-making.
- Regularly scheduled council meetings are perceived to keep conversations focused and to foster transparency. Meetings are said to occur twice a month:
  - One (1) council meeting to communicate important information like financial reports and budget development.
  - One (1) "special" meeting to discuss any items like unforeseen incidents that need funding or community needs that require support.
- No challenges were reported with adhering to approved budgets.
- Reserve funds are perceived to be generally well-maintained and spending priorities are perceived to be clearly established and effectively triaged. For example, a reserve fund was recently set up for Recreation to help budget and plan for capital expenditures pertinent to ABPRC's operations.

- Taxes and mill rates levied on ratepayers are perceived to be fair and reflective of the municipal services rendered by the Town.

## Improving Relationship with Bifrost-Riverton

The Manitoba government mandated rural communities with populations under 1,000 to amalgamate in 2015 per The Municipal Act. The rationale was to improve efficiency and economies of scale of municipal service delivery for communities under the indicated threshold<sup>3</sup>. The municipalities of Bifrost and Riverton were amalgamated as part of this process, leaving Arborg as a distinct municipality landlocked by the new Municipality of Bifrost-Riverton. The amalgamation created a strain in the relationship between Arborg and the newly amalgamated MBR, as MBR's Council had to consider an additional population centre (Riverton) in its priorities. However, interviewees perceived the working relationship between Arborg's Council and MBR's Council to be gradually improving. Several shared opinions include:

- Shared services leadership and representatives from both municipalities are said to have good rapport and understanding of each municipality's service needs.
- The recent exit of MBR's CAO is believed to provide opportunities for the municipalities to collaborate effectively once the new CAO is onboarded. Some interviewees felt that the previous CAO's understanding of the shared services relationship between Arborg and MBR was misaligned with the shared goals and responsibilities of the services.
- Arborg's Council believes new members recently elected to MBR's Council may be more amenable to shared goals and could provide more collaboration opportunities between the two municipalities.

## Perceived Challenges

The interview process allowed stakeholders to think contemplate perceived barriers to municipal service delivery. These perceived challenges are reoccurring themes as identified by those who participated in the interviews. Subsequent sections of this report will review and compare these challenges against empirical or other evidence.

## Contention Regarding Shared Services Cost Sharing

Many stakeholders throughout the interview process indicated that MBR should assume more of the costs associated with the shared services between the municipalities. Stakeholder perception indicated the following opinions:

- MBR has a larger population, thus more end users compared to Arborg. MBR should contribute more towards the costs of operations and capital expenditures.
- Some services provided by Arborg to MBR were mentioned to be delivered at little to no cost on occasion. For example, Arborg provides street clearing for a street in MBR. However, stakeholder perception is that community service to both municipalities supersedes recouping costs for services.

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<sup>3</sup> <https://sorc.crrf.ca/manitoba/>



- Stakeholders mentioned operational costs for Arborg Bifrost Fire and Emergency Services is split 45% to Arborg and 55% to MBR, and 50% each for the service's capital expenditures. Many stakeholders perceive that MBR should be paying more towards operations.
- While the Arborg Bifrost Community Centre is equally co-owned by both municipalities, usage of the facility is perceived to be 60% MBR and 40% Arborg. MBR recently tried to exit the ABPRC but later issued a letter stating that they were retracting.
- Stakeholders indicated that a tax sharing agreement exists for water and sewer services between the two municipalities in which MBR pays 50% of municipal tax revenue to Arborg for properties connected to Arborg's utilities.

## Increasing Fire Services and Recreation Budgets

- Fire and Recreation budgets were said to be substantial and comprising a larger proportion of the overall municipal budget every year, causing strain on other parts of the municipal budget.
- Duplication of services and facilities are perceived by some stakeholders as a concern. Some interviewees stated their belief that multiple arenas and curling rinks are not necessary for both Arborg and MBR. Fire is also under contention because of the existence of two fire halls within the area. The idea of consolidating these services into single providers was mentioned, but there is no clear judgment for which municipality should ultimately take ownership of operating these services.
- Reserve funds are set up for both Fire and Recreation capital expenditures and are perceived to have well-planned budgets, but funding is still limited.

## Novice Public Works Department

- Arborg's Public Works department members are relatively new to their roles and have limited experience. Stakeholders indicated that the challenge should remedy over time as the team gains more experience.
- There are mixed opinions on whether the number of Public Works staff is adequate. Some indicate that three (3) staff, including the current supervisor is appropriate, while others mentioned an additional member is perceived as optimal. Stakeholders state winter is busy and Arborg currently address the additional task of snow clearing with overtime work and hiring contractors to minimize service gaps.

## Recreation Staffing Needs

- Recreation indicated a perceived challenge with limited availability of staff and volunteers to be responsible for appropriate tasks. Paid staff are perceived to be occupied with facilities management rather than program and service planning and delivery.
- Recruiting and retaining volunteers for Recreation is perceived as difficult, resulting in cost savings challenges for the department.
- The limited number of paid staff is perceived to negatively impact Recreation's service delivery and operations. During interviews, it was said that comparable communities with similar facilities have higher staff levels.
- The ability to accommodate for and operate when team members take vacation was voiced as a concern. It is perceived that coverage is inadequate for Recreation's operational requirements.

## Delays in Industrial Park Development

- An industrial park is planned to be developed in MBR, but progress has been delayed. Many stakeholders attribute delays to stalled progress on the provision of sewer and water. While there is a water and sewer shared services agreement between the two municipalities, MBR has not provided input or direction whether Arborg can service the industrial park.
- The perception is that businesses are interested in tenancy at the industrial park, which would enhance the local economy for both municipalities but is contingent on consensus from both municipal councils to provide water and sewer services to the development.

## Identified Areas of Review

The following sections and subsections of this report outline areas of review that have been identified through initial discussions with the CAO and from stakeholder interviews. These areas of review have been identified as the most pertinent to Arborg's continued successful operations and growth:

- 1) Review of governance structures and practices
- 2) Shared services review – including a review of water and sewer, fire services, parks and recreation, and waste management
- 3) Review of the industrial park development and development incentive program
- 4) Fiscal review – including a review of audited financial statements, financial plans, reserves, mill rates, user fees, and levies
- 5) Review of taxation – including property assessment growth and changes in the mill rates

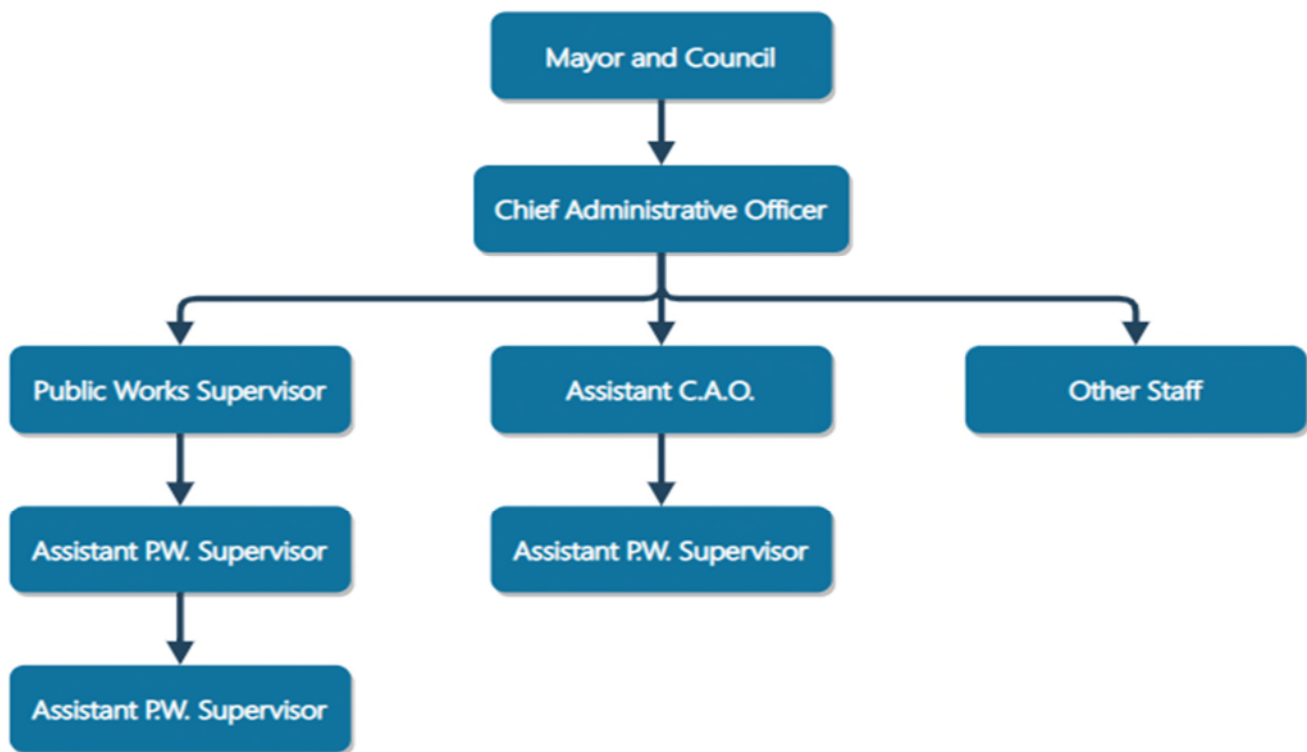
# Governance Review

A sound governance structure 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 oversight to the municipality's assets. No significant governance issues were identified in the interview process, but an understanding of Arborg's town structure and where it intersects with MBR is required to properly assess the municipality's operations.

## Town of Arborg Organizational Chart

The organizational chart for Arborg is listed under the Town's Employee Policy and Procedures policy #HR-01. The policy is up to date as of February 2023. Only the Public Works Supervisor and the Assistant C.A.O. report directly to the Chief Administrative Officer. The "Other Staff" category remains as a placeholder, but there were no employees in this category at the time of this review.

Figure 3: Town of Arborg Organizational Chart



## Governance By-laws

By-law 7-2018 establishes the organizational structure for the town in accordance with Section 148(1) of The Municipal Act. No deficiencies were identified within the organizational by-law; it provides proper guidance on

the establishment of committees, their duties, and the manner of appointment of persons to council committees. The existing by-law was passed in January 2019 and will need to be repealed, updated, and approved by the new Council that was elected at the end of 2022.

## Shared Services Structure

Multiple municipal services are shared between Arborg and MBR. These services include:

- Arborg Bifrost Fire and Emergency Services (ABFES)
- Arborg Bifrost Parks and Recreation Commission (ABPRC)
- Bifrost Arborg Riverton Waste Authority (BAR Waste)
- Shared water and sewer utilities

### Arborg Bifrost Fire and Emergency Services

By-Law 5-2017 established the Arborg Bifrost Fire and Emergency Services (ABFES) and the ABFES Committee. The ABFES is owned and operated jointly by Arborg and MBR. The ABFES Committee was established to manage the ABFES, and it reports its recommendations to the municipalities for the continued effective operation of the ABFES. The ABFES Committee is comprised of:

- 2 Members of Council from Arborg
- 2 Members of Council from MBR
- 2 Members of the ABFES in an advisory capacity

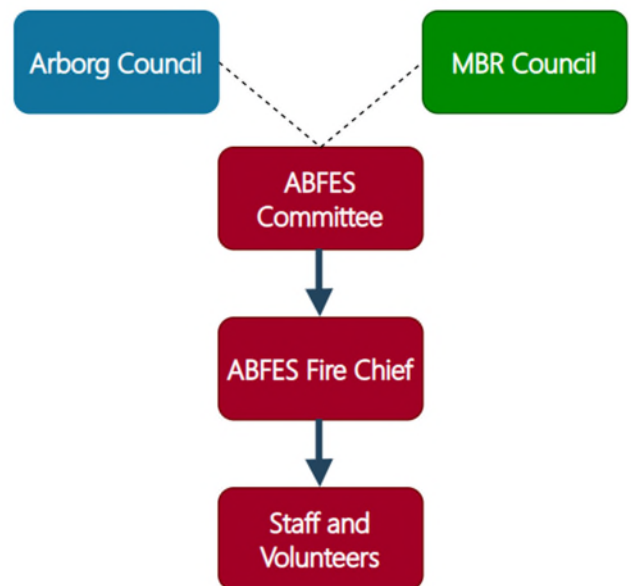
A quorum of Committee must consist of 3 Members of Council, which ensures that neither municipality has full decision-making authority. Arborg currently provides the administration for the ABFES, but the municipalities have an agreement to switch administrative services every 5 years.

Arborg’s CAO believes changing administrative services back and forth causes unnecessary stress on staff from both the municipality and the ABFES and would prefer that the administrative services portion remain with one municipality with the cost of this service included in the ABFES budget.

The ABFES complements the Riverton-Bifrost Fire Department (RBFD) to ensure protective services are provided to every region of MBR. A map of the emergency services districts covered by each department is provided in Appendix B.

A review of the financial implications of the shared ABFES Committee for the municipalities is included in the Shared Services Review section.

Figure 4: ABFES Organization Structure



## Arborg Bifrost Parks and Recreation Commission

The Arborg Bifrost Parks and Recreation Commission (ABPRC) is a non-profit organization that 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 was established in By-Law 6-2003, which states that the Commission's Board of Directors shall be composed of 9 members appointed by the councils of Arborg and MBR, including:

- 1 member of Council from MBR
- 1 member of Council from Arborg
- 1 Trustee from the school division\*
- 6 citizens evenly split between the two municipalities

\*The current board has declined to appoint a Trustee from the school division. The position is listed as vacant and the board plans to exclude it on the next update of the ABPRC's organizational by-law.

The ABPRC receives funding from Arborg and MBR, but it operates as an independent entity. Staff of the ABPRC are listed as Town of Arborg employees only for the purpose of being enrolled in the municipal employee benefits plan; Arborg's CAO does not have authority over the ABPRC's Director or staff.

Arborg's CAO stated that recent board member and staff changes at both the ABPRC and the municipalities have caused some confusion over roles and processes, as the departure of certain key individuals led to the loss of institutional knowledge that was not recorded in by-laws, policies, or procedural manuals. For example, it is known that the Recreation Director reports directly to the ABPRC board, but there is disagreement over whether the Facility Manager reports to the Recreation Director or the ABPRC board.

While MBR is a joint contributor to the ABPRC, it is also serviced by The Riverton-Bifrost Parks and Recreation Commission (RBPRC), a non-profit organization responsible for the recreation and leisure facilities and programs located in MBR. The RBPRC is composed of 2 members of Council from MBR and 3 citizen representatives.

In 2021, MBR submitted a letter to Arborg stating they would be withdrawing from the ABPRC. Arborg spent time and resources (legal costs) drafting a new governance structure for its recreation commission, but then prior to the end of 2022 MBR changed course and stated their willingness to remain in the commission. The initial letter and reversal caused some friction between both municipalities, but Arborg's Council believes this is now in the past and both communities are focused on shared support for regional recreation needs.

A Recreation Master Plan was developed in 2021 that made numerous recommendations to improve the recreation services, funding models, and cost budgeting for both the RBPRC and the ABPRC. The Master Plan found that there needs to be more collaboration between the two commissions in service to the whole region, as their current local focus is dividing operations and resources that could be more efficiently shared.

## BAR Waste

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

## Shared Water and Sewer Utilities

By-law 8-2008 outlines the agreement for Arborg to provide sewer and water services to MBR. A review of the existing shared water and sewer agreement and its implications for each municipality is included in the shared services review section.

## Council Compensation

Table 2 outlines the annual compensation paid to Councillors in Arborg and the comparison municipalities, excluding expenses. Arborg compensates its members of Council below the average of the comparison communities, but greater than the lowest Councillor compensation (Teulon).

*Table 2: Annual Council Compensation Comparison (excluding expenses)*

Municipality (Compensation Year)	Arborg (2021)	Bifrost-Riverton (2022)	Carberry (2021)	Town of Lac du Bonnet (2021)	Teulon (2022)	Average
Population	1,279	3,320	1,818	1,064	1,196	
Mayor (Annual)	\$8,912	\$12,670	\$10,556	\$11,926	\$6,000	\$10,112
Deputy Mayor	\$6,855	\$9,210	\$9,994	N/A	\$5,424	\$7,871
Councillor	\$6,855	\$9,210	\$8,270	\$10,419	\$5,280	\$8,007

## Recommendations

- It was noted during data collection that some of Arborg’s more recent by-laws have not been uploaded to the Town website. Copies of by-laws were received from the CAO, but it is recommended that all by-laws be made publicly available once passed by Council.
- There are organizational and logistical benefits to keeping the administrative responsibilities for the ABFES with a single municipality. The original rationale to hand-off these responsibilities every 5 years was borne from a spirit of collaboration, but this process has led to confusion and additional training and recalibration time for municipal staff at each transition. Municipal collaboration is key at the ABFES board level, but it is more efficient to keep administrative tasks at a single municipality for continued history and institutional knowledge. If the ABFES and the Rbfd continue to operate as separate entities, it would make sense to keep ABFES administration with Arborg and Rbfd administration with MBR.
- The update to the ABPRC organizational by-law should be prioritized to establish the new board structure and outline the roles and reporting lines of the senior management team, such as the Recreation Director and the Facility Manager. A new by-law would replace the outdated 20-year-old by-law and enshrine the ABPRC’s organizational structure for current and future board members and staff.

# Shared Services Review

This section provides a detailed review of Arborg’s shared services with MBR, including fire services, parks and recreation services, the BAR Waste Authority, and water and sewer.

## Fire Services

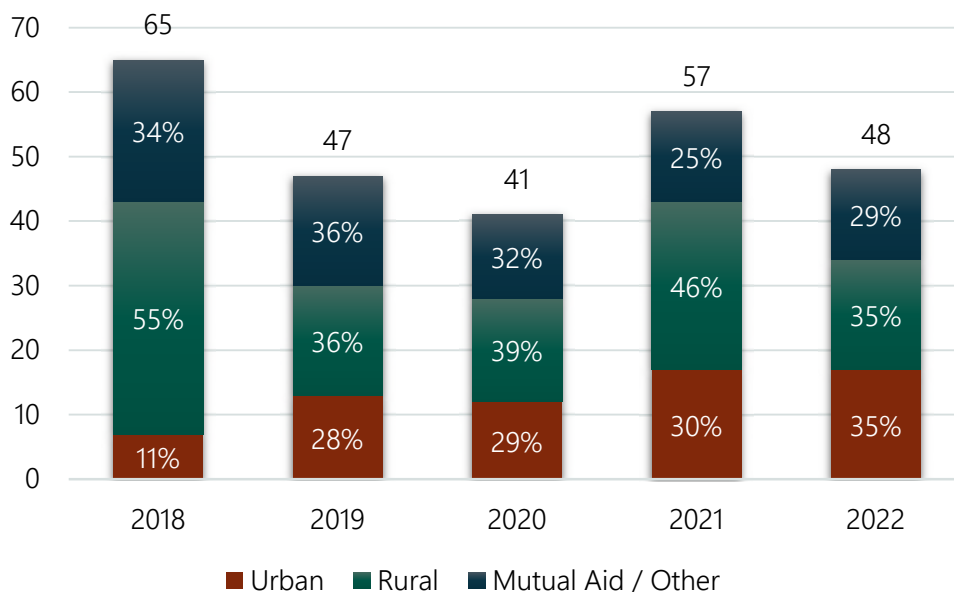
### Arborg Bifrost Fire & Emergency Services

#### Operations

By-law 5-2017 states that 45% of the operational costs of ABFES shall be borne by Arborg and 55% by MBR. Wages are split depending on the labour required to answer calls within each municipality, with wages for mutual aid calls split 50/50 between municipalities, and response wages allocated based on the calls received from each municipality.

Arborg’s CAO believes that the funding formula and by-law require review as the current share of operational cost is not commensurate to the level of service being provided to each municipality. An analysis of ABFES call data from 2018 to 2022 shows a range of 41 to 65 total calls per year, and that urban calls (calls within the Town) have increased from 11% in 2018 to 35% in 2022 (Figure 5).

Figure 5: Arborg-Bifrost Emergency Services District - Calls for Service by Region, 2018-2022

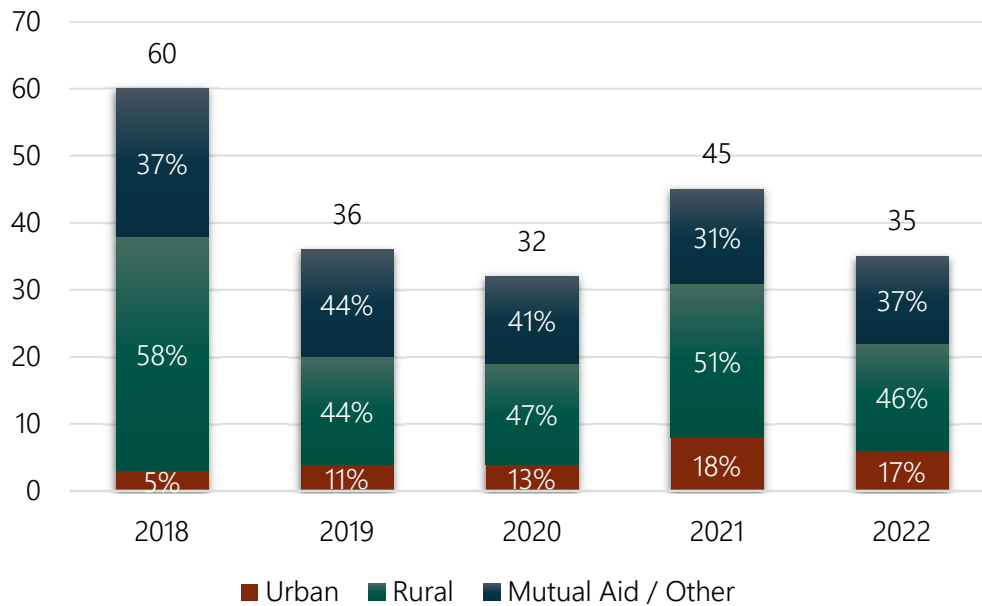


If the share of ABFES costs could be measured solely on call quantity and using the current 50/50 split for mutual aid costs, Arborg’s average share of costs for the last five years would be 42.1% (27% average Arborg call-share plus 50% of the 31% average share of mutual aid calls), and MBR’s share would be 57.9%. These



results are reasonable compared to the current 45/55 cost sharing agreement. However, calls cannot necessarily be measured equally because the level of service effort varies based on the type of call. For example, false alarms which require minimal effort from first responders accounted for approximately 62% of urban-based calls from 2018 to 2022, whereas rural calls include wildfires which take longer to extinguish. Figure 6 details ABFES's calls by region excluding false alarms, which shows that the urban share of calls ranged from 5% to 18% over the five-year period.

Figure 6: Arborg-Bifrost Emergency Services District - Calls for Service by Region Excluding False Alarms, 2018-2022



Another method for calculating the cost share between municipalities is to use responder wages, as volunteer responders are paid per call based on hours worked, with a minimum of 3 hours per call, including on false alarms. Figure 7 shows the average percentage of responder wages paid by each municipality from 2018 to 2022. During this period Arborg paid 46.9% of responder wages which is approximately in line with the current agreement. However, urban calls accounted for only 23.8% of responder wages, with Arborg paying 23.4% and MBR paying 0.4% due to several urban vehicle collisions which are shared 50/50. These results demonstrate that ABFES is incurring 76.2% of its variable cost (responder wages) outside the boundaries of the Town of Arborg.

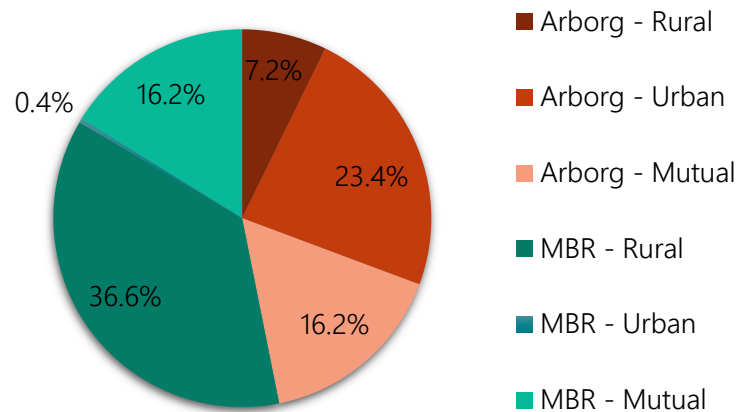


Figure 7: Share of Responder Wages by Municipality and Call Type, Average, 2018 - 2022

The Mutual Aid System in Manitoba is a no-charge reciprocal system, meaning municipalities do not charge for services rendered. The ABFES is part of the North Interlake Mutual Aid District, which stretches from Gimli in the south-east, to Coldwell in the south-west, to Grahamdale in the north-west and MBR in the north-east. Calls for mutual aid grew significantly to 53% of total calls in 2022. There are concerns that the Mutual Aid District is increasingly leaning on the ABFES for support due to the significant resources that Arborg and MBR have invested into the department. For example, the ABFES has multiple Level 1 Firefighters that the mostly volunteer firefighters in other municipalities rely on for leadership during response. As a result, Arborg feels that its investment in the department is benefitting the surrounding communities more than its local taxpayers.

Table 3 shows the wage cost and call count for ABFES’s mutual aid calls from 2018 to 2022. Wages paid to ABFES responders on mutual aid calls accounted for 32.4% of total wage costs, and mutual aid calls accounted for 31% of the total calls during this period.

*Table 3: ABFES Mutual Aid Calls to Other Fire Districts, 2018 to 2022*

Fire District	Wage Cost	Call Count
Riverton-Bifrost	\$30,172	46
Armstrong	\$11,765	18
Fisher Fire Dept	\$6,816	7
West Interlake	\$3,085	4
Grahamdale	\$1,712	2
Gimli Fire Dept	\$857	2
Crane River	\$221	1
<b>Total</b>	<b>\$54,628</b>	<b>80</b>

## Capital

By-law 5-2017 states that ABFES’s vehicles and equipment are jointly owned by the municipalities and that underspending from the annual operations budget can be transferred into ABFES’s capital reserve account. Capital costs are generally split 50/50, but there are still certain capital items that are not split evenly. For example, the ABFES Committee agreed that the planned purchase of a replacement wildfire truck will be paid for 100% by MBR, as wildfires only occur in the rural areas of the Arborg Emergency Services District and the Town would see no benefit.

In 2021 the ABFES purchased a new pumper truck for \$604,620 with both municipalities contributing \$302,310. Arborg funded its share through borrowing \$172,310, withdrawing \$50,000 from the fire equipment reserve, and allocating \$80,000 from the general operating fund. The debt payments are funded by a 0.30 mill borrowing charge in Arborg’s tax levy, and a special area levy of 0.173 mills is being charged in 2023 to replenish \$10,000 in the fire equipment reserve fund.

Per the Deputy Fire Chief, the Fire Committee has a 5-year and a 10-year capital plan for the department and will seek preapproval annually for new capital expenditures. The ABFES adheres to National Fire Protection Association (NFPA) equipment standards to ensure all equipment is emergency-ready, but at times the department finds the NFPA standards for the life expectancy of equipment to be too stringent, requiring frequent replacement. The ABFES's 2023 capital budget is \$259,200, including \$180,000 for a new rescue truck which will use 80% of Arborg's existing fire equipment reserve.

## Financial Results

Arborg's CAO stated that the Town's contributions to the ABFES were not accurately presented in the 2022 MBR report. Some financial data received for the 2022 MBR study conflicts with the reporting received from Arborg for this study. For example, MBR's ABFES statement of operations shows a cost-recovery payment from Arborg of \$39,086 in 2020, leaving \$168,525 paid by MBR, but Arborg's ABFES report shows the Town paid \$113,010 for ABFES operational funding in 2020. MBR's administration could not be reached for comment on the discrepancy. Arborg's internal ABFES reports show the municipal cost split in 2021 and 2022 was consistent with the 45/55 agreement for operational funding.

A comparison of budget to actual operating expenditures from 2018 to 2023 is provided in Figure 8. The operating budget accounts for costs related to administration, equipment repairs and maintenance, fire hall operations, insurance, wages, and recruitment and training. Response wages and capital expenditures are considered separately. The graph shows that there has been a relatively consistent trend operating budget increases, although actual expenditures have not indicated the need for a higher budget. The ABFES had its highest operating cost year in 2018 at \$139,997. Since then, the budget increased to a peak of \$184,517 in 2022 while the department only incurred \$128,421 in actual operating costs. It appears the Committee recognized the overinflated budget in the past year, with the 2023 operating budget decreasing to \$173,665. The ability for the ABFES to transfer operating surpluses into its capital fund may have contributed to the motivation for budget increases that were not required.

Response wages, considered separately from the operating budget, provide further insight into the cost incurred for calls in each municipality. Figure 9 outlines the response wage cost allocated to Arborg, MBR, and Mutual Aid calls from 2018 to 2022. On average, Arborg accounted for 23.5% of response wages, MBR accounted for 40%, and mutual aid accounted for 36.5%. The cost of mutual aid calls is split 50/50 between Arborg and MBR, leading to an adjusted average cost share of 41.7% for Arborg and 58.3% MBR. The response wage results also show the disconnect between calls for service and cost incurred due to effort required for each call, as there were more calls for service in 2022 than in 2021 but response wages were higher in 2021.

Figure 8: ABFES Budget vs. Actual Operating Expenditures

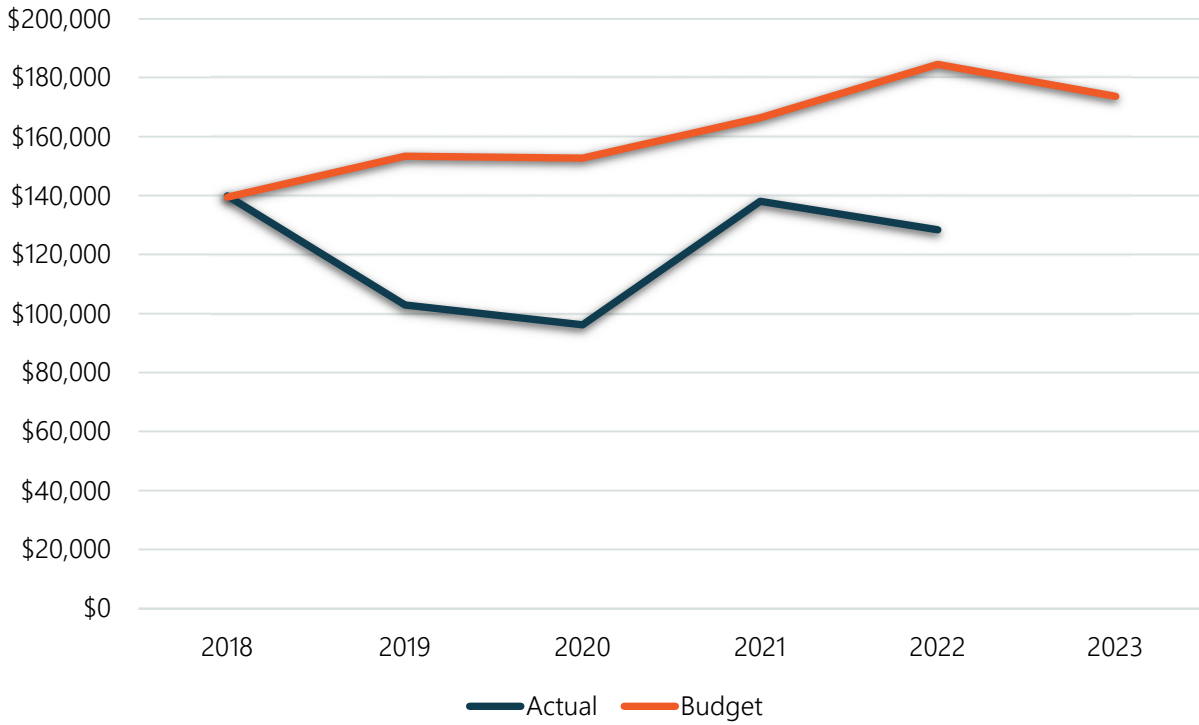
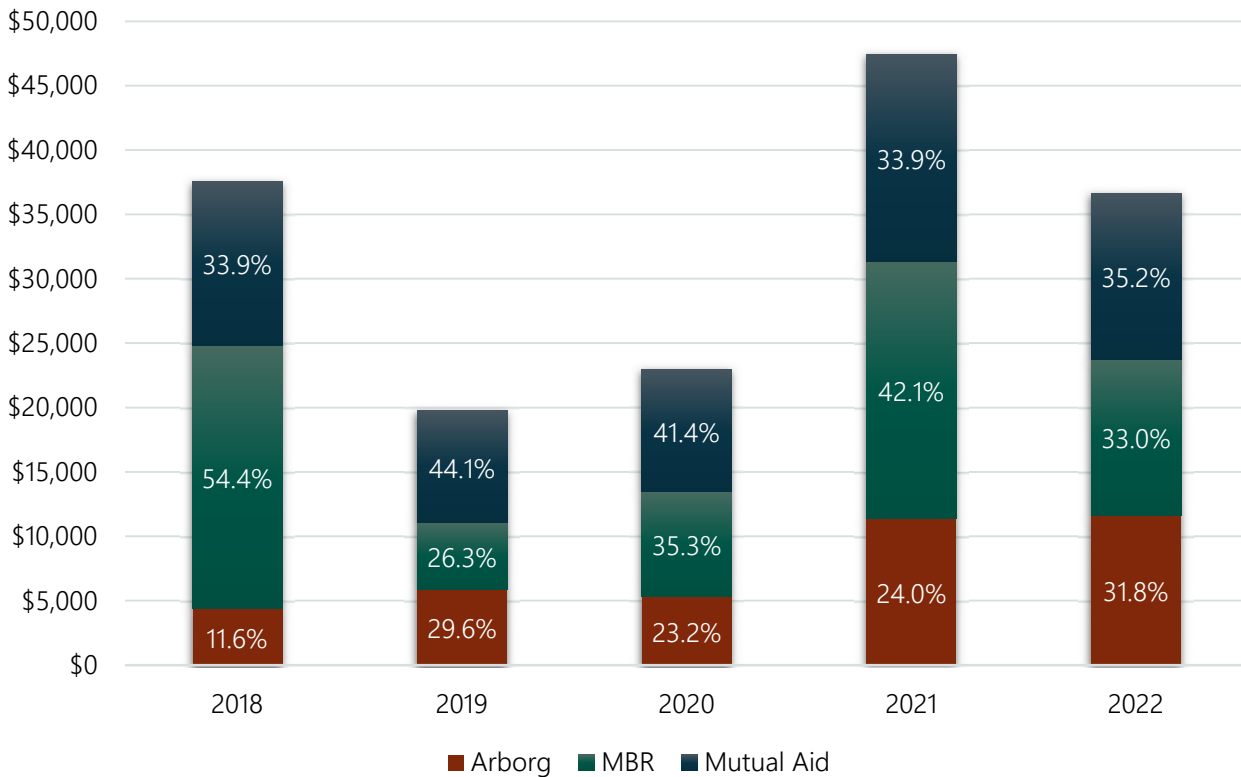


Figure 9: Response Wages by Municipality, 2018 to 2022

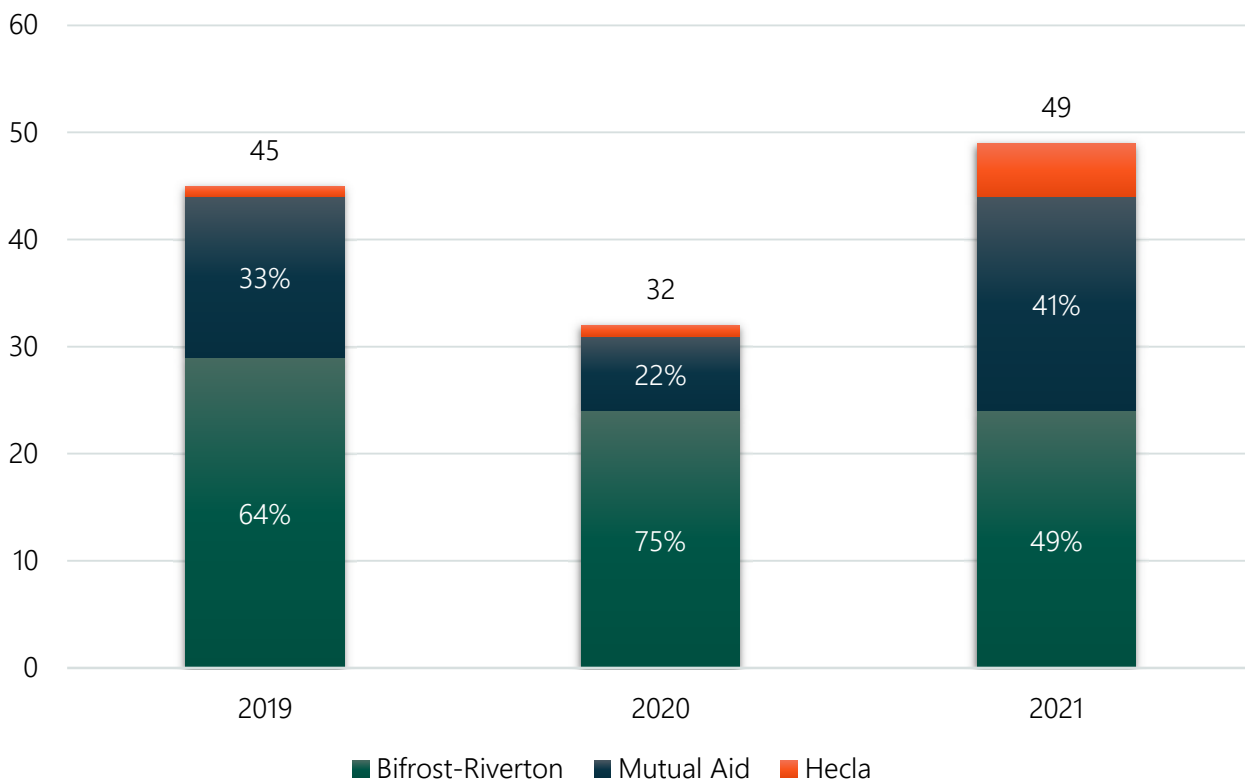


## Riverton-Bifrost Fire Department

The Rbfd services the Riverton Emergency Services District (Appendix B) and Hecla Provincial Park and is governed by MBR and citizen representatives. A complete analysis of the ABFES would be incomplete without considering the operational and funding overlap between the Rbfd and the ABFES, since MBR’s fire protection funding is split between the two departments. Requests for 2022 call data and financial results for the Rbfd sent to MBR’s CAO for comparative analysis in this study did not receive a response.

Results from MBR’s 2022 Municipal Service Delivery Improvement Program fiscal review showed that on average from 2019 to 2021 the Rbfd responded to 42 calls per year (Figure 10), compared to 47.3 calls for the ABFES during the same period. The Rbfd’s percentage of mutual aid calls during this period are not significantly different from the ABFES, which could be evidence that the ABFES’s mutual aid calls are commensurate with other departments, but anecdotal evidence claims that the Rbfd rarely provides mutual aid to the Arborg district.

Figure 10: Rbfd Call Data, 2019-2021



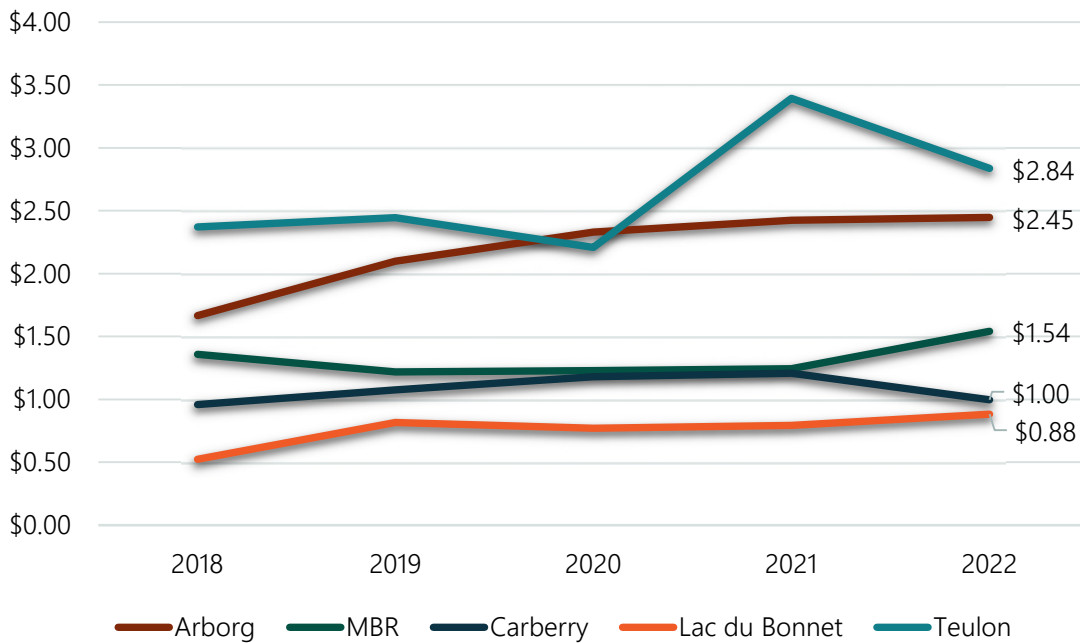
## Fire Services Performance Measures

Total costs for fire services per \$1,000 of assessment can 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 Protection Services” under the Protective Services account grouping on the municipal financial plan and dividing by the annual portioned property assessment.

Per Figure 11, Arborg’s fire services per \$1,000 of assessment increased consistently over the 5-year period from \$1.67 in 2018 to \$2.45 in 2022. The average result in the sample group was \$1.74 in 2022, placing Arborg 41% above average spending within the comparator group. Teulon was the only municipality with higher fire spending at \$2.84 per \$1000 of assessment in 2022. The growth in Arborg’s fire spending and its relative comparison to other municipalities lends credence to the opinion that the ABFES has more resources relative to its peers.

Figure 11: Fire Services per \$1,000 of Assessment



## Recommendations

### Regional Fire Department

The primary recommendation for fire services from MBR’s 2022 MSDIP Report was a merger of the ABFES and the Rbfd to reduce costs for both municipalities. Reduced costs may include a reduction in leadership wages, administration costs, training costs, and capital costs as more resources would be shared. A similar model is used by the RM and Town of Lac du Bonnet; the two municipalities share a single fire department and have a cost sharing agreement for service delivery within both communities.

Upon reviewing MBR’s 2022 analysis with more recent data from the ABFES, a merger of the fire departments still appears to be the ideal option from a purely financial perspective. However, discussions with Arborg’s Administration have identified challenges with a potential merger due to operational inconsistencies between the departments. The Deputy Fire Chief stated that both departments work well together, but other stakeholders provided anecdotes that if the departments merge it would lead to resignations from key fire staff

which could destabilize operations. Identity is a major obstacle, with both municipalities feeling that a merger would cause a loss of identity in their communities.

A single regional fire department would not significantly change the level of service provided by the 2 separate departments. Both population centres would maintain their fire halls but their operations would be centrally managed. A regional department would submit a single budget for approval by the Councils of both municipalities, which should help create a more equitable fire service for the region. Operational cost sharing between municipalities could be based on calls to each region, or an agreed upon fixed split percentage.

## Cost Saving Measures

The ABFES's growing operating budget and high relative cost per \$1,000 of assessment signify a need for additional budget control. Recommendations for cost savings or budget stabilization in absence of the implementation of a regional fire department include:

1. Like the recommendation in MBR's 2022 report, establish an equipment sharing agreement between the ABFES and the Rbfd in which the departments reimburse each other for the use of specialty equipment on a case-by-case basis. It was noted that both departments are trying to "keep up" with one another by purchasing new trucks and equipment, but the historical quantity of active fires may not warrant each department being fully-equipped with the same trucks. Having each fire department duplicating the purchase of major capital assets is overtaxing ratepayers in the region for resources that are essentially shared.
2. Continue allowing the ABFES to transfer operating budget underspending into a capital reserve, but also have the committee freeze or reduce the total operating budget. The gap in actual operating costs to budget may indicate that the ABFES are purposefully over-estimating their budget to increase the operating reserve. The drop in the ABFES's 2023 operating budget could signify that there has been some recognition of overbudgeting at the Committee or Council level. Significant capital purchases in the department's long-term capital plans should not be contingent on running an operating budget surplus for several years. Rather, the operating budget should be reduced and the fire equipment reserve should be increased. For example, it would take Arborg 18 years to sufficiently fund reserves to purchase a rescue truck under the current \$10,000 annual provision from the special area levy, but the department transferred a \$40,592 operating surplus to capital reserves in 2022. The ABFES Committee could reduce the operating budget by \$40,000 and commit an additional \$40,000 annually to the reserve. The net effect on the budget is the same, but the ABFES Chief will have more accountability to operate within the set budget amount.

## Cost Sharing Agreement

There is sufficient evidence from the analysis of ABFES's call logs that Arborg has a case for renegotiating the ABFES cost sharing agreement based on the location of actual service delivery. Multiple methodologies point to Arborg receiving less than 45% of the service benefit from the department over the past 5 years:

1. Based on urban call count plus 50% of mutual aid calls, Arborg incurred 41.1% of total calls (25.6% urban share plus 15.5% mutual aid share)
2. Based on urban call count plus 50% of mutual aid calls excluding false alarms, Arborg incurred 30.8% of total calls (12.0% urban share plus 18.8% mutual aid share)
3. Based on urban responder wages plus 50% of mutual aid responder wages, Arborg incurred 40.0% of responder wages (23.8% urban share plus 16.2% mutual aid share).



It appears that responder wages is the best measure as it measures the actual variable cost incurred by each call, and wages are still incurred on false alarm calls. If Arborg and MBR renegotiated the sharing agreement based on the responder wages measure it could change to a 40/60 share. This small swing of 5% is immaterial and would result in a less than \$10,000 change in cost-incurred. While Arborg is technically receiving less service than it is paying for, it may be in the Town’s best interest to keep the current agreement in order to maintain goodwill with MBR.

Due to the relative immateriality and potential for conflict, it is recommended that Arborg and MBR keep the current cost sharing agreement. A more impactful issue than the cost sharing agreement between the municipalities is that both Arborg and MBR are increasingly paying for the cost of ABFES services being exported to other mutual aid districts, as explored in the following section.

### Mutual Aid Fire Service Comparison

Further analysis must be conducted by the Fire Chief to determine if a 31% call share for mutual aid calls is normal or out of the ordinary. It is recommended that the Fire Chief contact other Fire Departments in Manitoba to inquire their volume of mutual aid calls as a percentage of total calls and conduct a comparative analysis. Based on the results of this comparative analysis, Arborg and MBR may wish to explore ending their mutual aid agreement with the Northern Interlake Mutual Aid District, and instead have the ABFES become a fee-for-service fire protection service. Under this scenario, municipalities would pay Arborg and MBR based on actual fire protection services rendered. If the Arborg Emergency Services District was in need of mutual aid, Arborg and/or MBR would in turn pay for services rendered from other municipalities.

The R.M. of Hanover and the City of Steinbach are the only other municipalities that are not part of the Mutual Aid System in Manitoba. When Hanover exited the system, neighbouring municipalities increased their protective services spending to ensure their fire departments could adequately service their communities. Hanover’s example provides an outlook on the benefits and drawbacks associated with exiting the Mutual Aid System, which may include:

Benefits	Drawbacks
<ul style="list-style-type: none"> <li>• Increased revenue from other municipalities (under a fee-for-service model)</li> <li>• Local taxes no longer going to exported services</li> </ul>	<ul style="list-style-type: none"> <li>• Less co-operation and community building with other municipalities</li> <li>• Additional administrative requirements (call tracking, billing and collection)</li> <li>• Loss of Provincial funding related to Mutual Aid<sup>4</sup></li> <li>• Likely no reduction in fixed operating costs for the exiting municipality unless fire services are cut as a result of the change</li> </ul>

<sup>4</sup> <https://steinbachonline.com/articles/why-hanover-is-the-only-fire-department-not-part-of-mutual-aid>

## Parks and Recreation Services

### Arborg Bifrost Parks and Recreation Commission (ABPRC)

#### Operations

The ABPRC operates and maintains all Parks and Recreation facilities in Arborg, including the Arborg & District Arena, the Noventis Aquatic Centre, the Arborg Curling Rink, and the Arborg-Bifrost Community Centre. An organization chart was not provided, but the Recreation Director stated that the ABPRC currently operates with 2 full-time employees, 2 part-time employees, and 1 casual employee. Due to limited staff, the ABPRC relies on volunteers to keep programs and events running.

Per by-law 6-2003, the Recreation Director and the board prepare the annual budget for presentation to the Councils by February 15<sup>th</sup> in each year. The ABPRC Commission is audited annually as a separate entity from the municipalities.

A third-party comprehensive Recreation Master Plan was developed for Arborg and MBR in 2021. A summary of several significant findings from the Master Plan and the subsequent actions undertaken by Arborg and the ABPRC include:

- **Volunteer Retention:** The Master Plan found that more volunteer recognition was needed to help show appreciation and retain volunteers. Volunteers are crucial to the continued operations of the ABPRC due to insufficient funding for additional staff positions. As a result of this finding, in 2022 the ABPRC hosted its first Volunteer Recognition Gala. The event doubled as a fundraiser and successfully raised \$50,521 on an event cost of only \$29,634, generating a \$20,887 surplus for the ABPRC. The ABPRC plans to hold the gala annually going forward due to the success of the event and feedback from volunteers.
- **Administration:** The Master Plan recommended appointing a staff member to coordinate paperwork related to insurance, permits, and other operating agreements. It also recommended certain financial responsibilities be uploaded from the commission's volunteer board to the municipalities, such as debt oversight. The ABPRC has a bookkeeper, but the Recreation Director stated he would like to see municipal administration and Council provide additional support with budgeting and financials so that volunteers can focus on programming and operations.
- **Trend Towards Multi-Plex Facilities:** The Master Plan found that having multiple stand-alone purpose-built facilities tends to require more staff due to the separate locations, and the trend in other municipalities has been a move towards the recreation multi-plex model to reduce maintenance, operating, and staff costs. The ABPRC's current plans are to continue repairing and replacing equipment within existing facilities.
- **Establish a Long-Term Capital Plan:** The Master Plan outlined a facility condition assessment and recommended the recreation commissions establish a long-term schedule for repairs and replacements. The ABPRC has had some preliminary discussions but has yet to establish a formal plan for future repairs. The Master Plan also recommended a reserve fund be established for major capital replacements (see Capital section below for more details).
- **Communications:** The Master Plan recommended the creation of a joint recreation webpage to serve as a "one-stop-shop" for all recreation needs in both municipalities. This has yet to be established by either recreation commission.

- Collaboration:** The Master Plan recommended increased collaboration between the 2 recreation commissions, including the centralized website, semi-annual joint board meetings, and coordination of programming to ensure critical mass of participants can be achieved. The Recreation Director stated that the ABPRC has a good relationship with MBR’s municipal representative on the ABPRC board, and that they have an understanding that each community’s recreation services should be treated equitably. However, there is minimal evidence to suggest there has been increased collaboration between the 2 recreation commissions since the Master Plan was published.

## Capital

By-law 6-2003 states that the Commissions is solely responsible for the planning and development of all Parks and Recreation facilities, but it does not provide further guidance on capital funding expectations or capital support from the municipalities.

The facility condition assessment in the Master Plan estimated that the ABPRC’s facilities require \$1,224,020 in capital improvements over the next 10 years to continue operating safely and functionally. The Recreation Director stated that the ABPRC does not have a long-term capital plan prioritizing these capital upgrades and replacements. The board has discussed the necessary upgrades required over the next 5 to 10 years but has not formalized its recommendations into a plan. Many capital replacements identified in the Master Plan still need to occur, such as the ice compressors in the arena which are more than 10 years past their original life expectancy.

Arborg’s Council approved the creation of a Recreation & Cultural Reserve Fund in By-Law 5-2022. The reserve is slated to receive a provision of \$10,000 in Arborg’s 2024 budget. Arborg’s 5-year plan does not include material capital expenditures related to recreation except for a \$50,000 for the replacement of a soccer field and baseball diamond which were displaced by the Aging in Place campus. The \$50,000 is expected to be borne by the operating fund in 2024.

Table 4 outlines the capital items identified as needing replacement in the Master Plan facility assessment with a cost equal to or greater than \$10,000. None of these items have been identified in Arborg’s 5-year capital plan, and the ABPRC does not have a formal capital plan identifying its priorities for replacement. The priority level shown in Table 4 is the timeframe for replacement recommended by the third-party Master Plan in 2021.

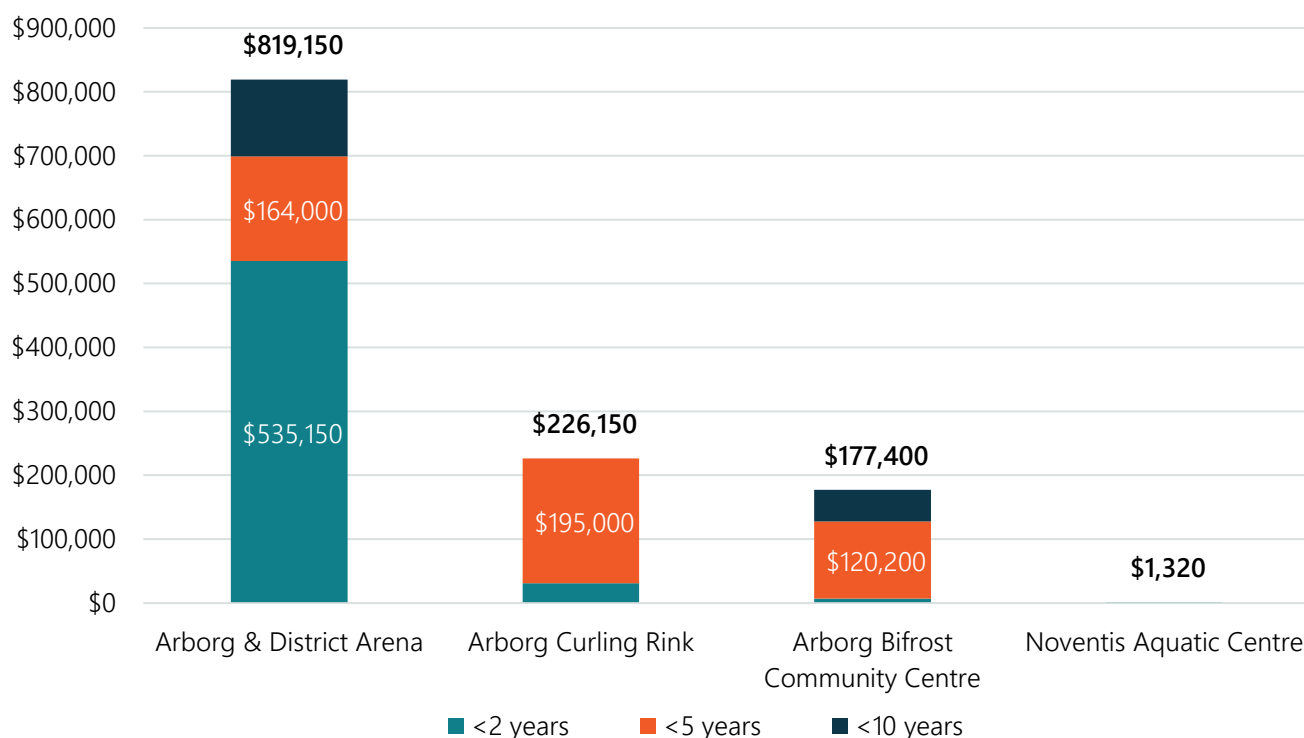
*Table 4: Facility Capital Replacements > \$10,000 Identified in 2021*

Venue / Item	Priority Level	Amount
<b>Arborg &amp; District Arena</b>		
Replacement of plant equipment	<2 years	\$465,000
Replacement of lobby air handling unit	<2 years	\$11,100
Replacement of hot water tanks, pump	<2 years	\$10,000
Replace CDP and panels room #1 & 2	<5 years	\$150,000
Lobby and service room LED lighting	<5 years	\$10,000

Venue / Item	Priority Level	Amount
Replace CDP room #3	<10 years	\$120,000
<b>Arborg Bifrost Community Centre</b>		
Replace air handling units	<5 years	\$100,900
Replace hall fluorescent with dimmable LED	<5 years	\$15,000
Replace existing CDP and panel board	<10 years	\$50,000
<b>Arborg Curling Rink</b>		
Replacement of plant equipment	<5 years	\$175,000
Replace panel board	<5 years	\$15,000

Figure 12 summarizes the total capital replacement estimate from the Master Plan for each of the ABPRC facilities. The arena requires the highest investment with an estimated \$819,150 over the next 10 years, followed by \$226,150 in the curling rink and \$177,400 in the community centre. Note that these estimates were calculated in 2021 and have not been adjusted for the impact of high inflation in 2022.

Figure 12: Facilities Assessment Improvement Estimate for ABPRC Managed Assets



## Financial Results

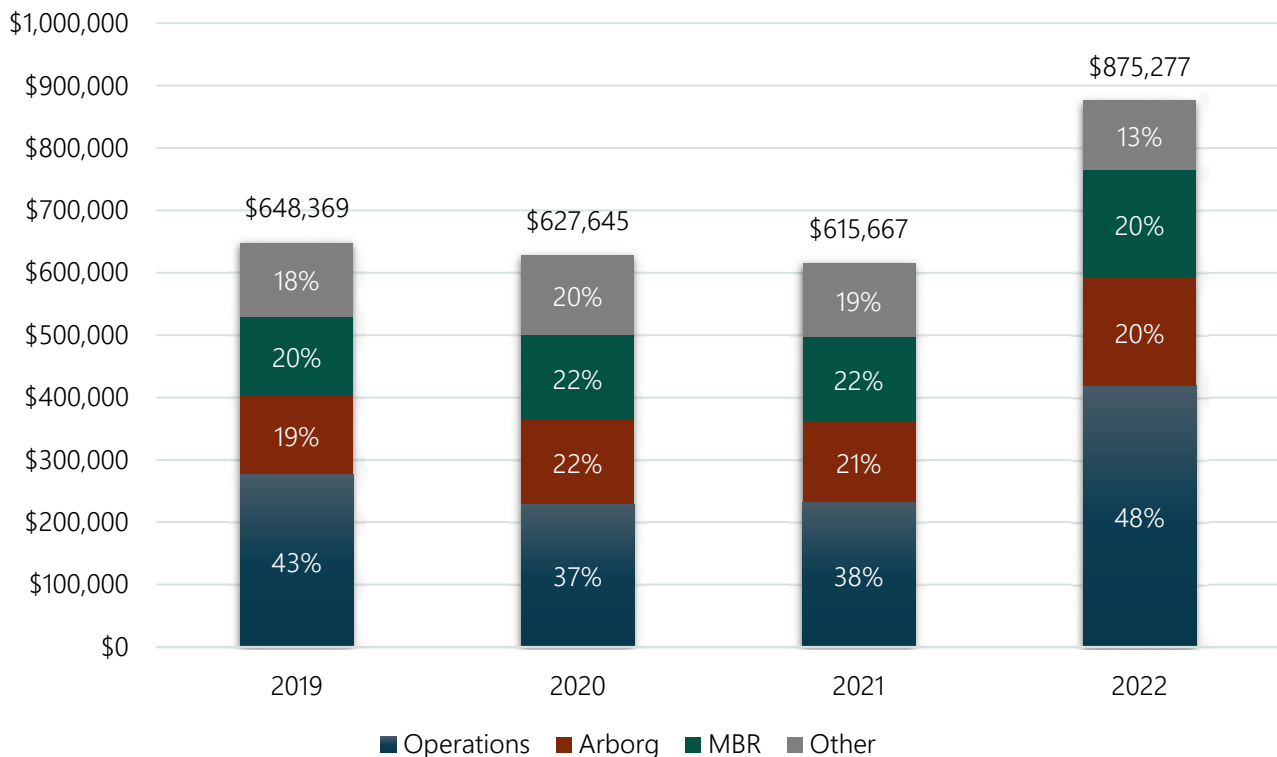
Per Table 5, ABPRC’s revenue surpassed its pre-pandemic level, growing from \$648,369 in 2019 to \$875,277 in 2022, resulting in a transition from losses in 2019 and 2020 to surpluses of \$23,495 in 2021 and \$116,124 in 2022.

Table 5: ABPRC Summary of Revenues and Expenses, 2019 to 2022 (unaudited)

	2019	2020	2021	2022
Revenue	\$648,369	\$627,645	\$615,667	\$875,277
Expenses	\$700,058	\$663,151	\$592,172	\$759,153
Net Surplus (Deficit)	(\$51,689)	(\$35,506)	\$23,495	\$116,124

Figure 13 summarizes the ABPRC’s income by type from 2019 to 2022. Income from operations, which includes events and programs, rentals, admissions, concessions, and advertising, fell below 40% during the pandemic, but recovered to 48% of total income in 2022. Income from operations increased by 80%, or \$186,888, in 2022 once pandemic restrictions were relaxed. Grants from Arborg and MBR comprised 40% of the ABPRC’s income in 2022, with each municipality contributing \$172,900, up from \$135,000 in 2021. The increase in municipal grants was approved in the 2022 budget to help the ABPRC weather the pandemic recovery, but when paired with the significant recovery in operations that year led to the \$116,124 net surplus. Other income includes other grants and donations, which dropped to 13% of revenue in 2022 due to the increases in the other categories.

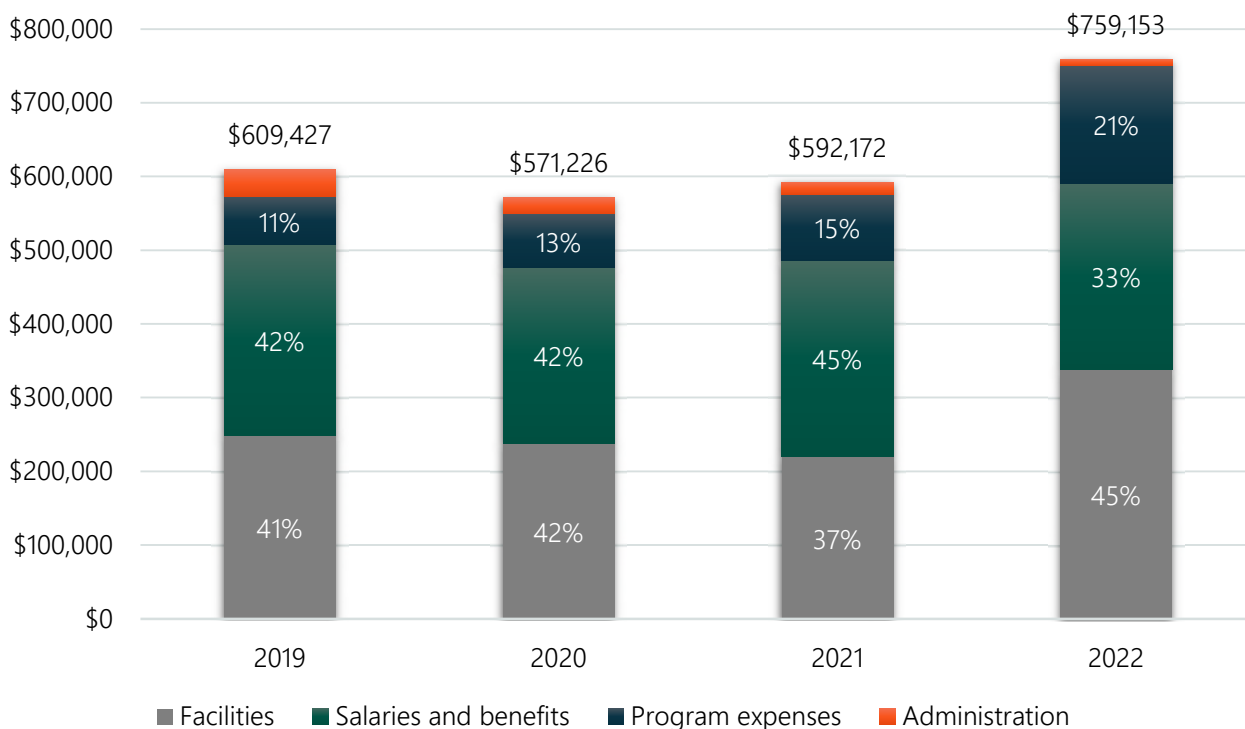
Figure 13: ABPRC Income by Type, 2019 to 2022 (unaudited)



One of the perceived challenges from interviewees is that the recreation budget has taken a larger proportion of the municipal budget in recent years. Results show that grant funding from the municipalities has increased an average of 11% per year since 2018. MBR’s 2022 MSDIP report also recognized this rate of growth as unsustainable for recreation services. However, it appears that the ABPRC and the municipal councils have taken steps to slow the rate of growth, with the 2023 budget only approving a \$90 increase in municipal grants.

The ABPRC’s expenditures from 2019 to 2022 are summarized in Figure 14. Facilities operating costs increased in 2022 to a 45% share of total expenses, with the highest cost categories related to utilities (\$147,112) and repairs and maintenance (\$130,204). The repairs and maintenance expense increased by 55% in 2022 due to minimal repairs and maintenance occurring in 2020 and 2021 during the pandemic, as well as due to the increasing cost of repairing equipment that has surpassed its useful life expectancy. Repairs and maintenance are budgeted for another \$130,000 in 2023 as the ABPRC expects to continue incurring a high cost for maintaining old equipment in working order.

Figure 14: ABPRC Expenditures by Type, Excluding Amortization, 2019 to 2022 (unaudited)



## Riverton-Bifrost Parks and Recreation Commission

The RBPRC is responsible for the operation of a community hall, a curling rink, an arena, softball diamonds, soccer fields, and all related events and programming in MBR. The board of the RBPRC is composed of 2 members of Council from MBR and 3 citizen representatives. Consideration of the RBPRC’s needs is relevant to Arborg’s review because MBR’s Council is responsible for the operational and financial success of both recreation commissions. If the RBPRC encounters fiscal challenges, it could impact MBR’s ability to continue funding the ABPRC.

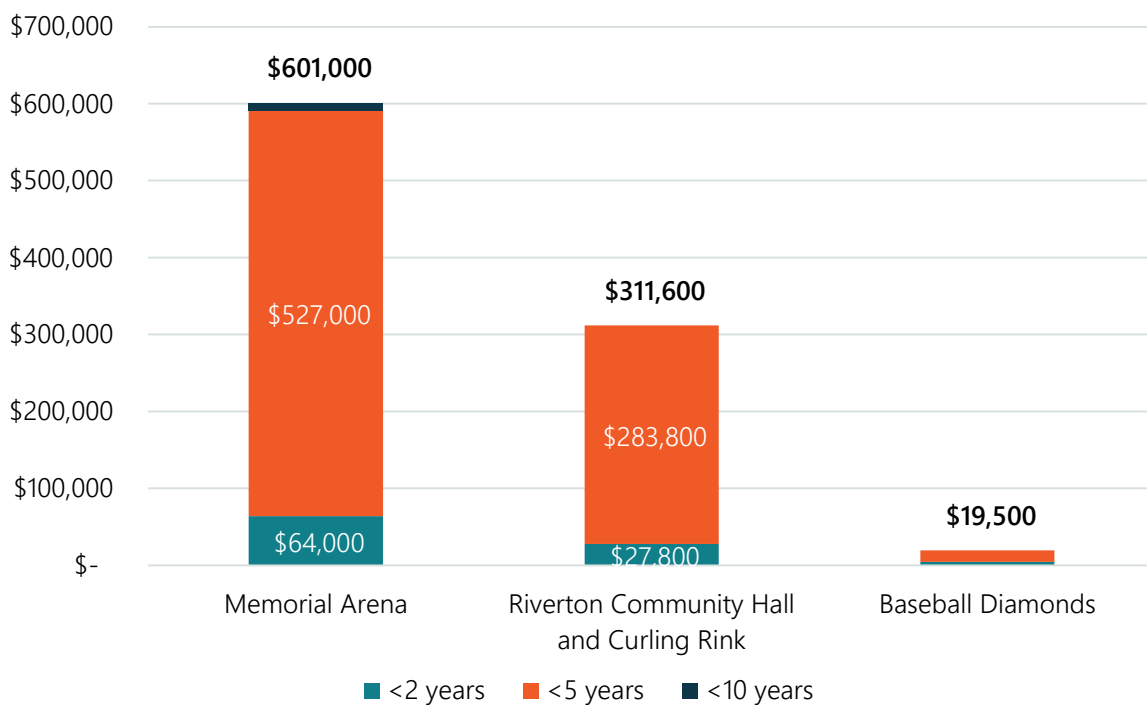
Audited financial results for the RBPRC are available up to 2020 (Table 6). Data from MBR’s 2022 fiscal review shows that the municipal grant provided to the RBPRC increased from \$113,500 in 2021 to \$133,000 in 2022. This brings MBR’s total grant funding to both recreation commissions to a total of \$307,900 in 2022.

Table 6: RBPRC Summary of Revenues and Expenses, 2017 to 2020

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

The Master Plan facilities assessment identified \$931,100 in needed capital replacements for the RBPRC’s facilities. As stated above in by-law 6-2003, MBR does not have a set share of capital funding for the ABPRC, but if the RM were responsible for a 50% share of all ABPRC facility upgrades and a 100% share of all RBPRC upgrades it would require over \$1.5 million in capital funding over the next 10 years. MBR’s 2022 financial plan does not identify a reserve for parks and recreation funding.

Figure 15: Facilities Assessment Improvement Estimate for RBPRC Managed Assets



## Recreation Performance Measures

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

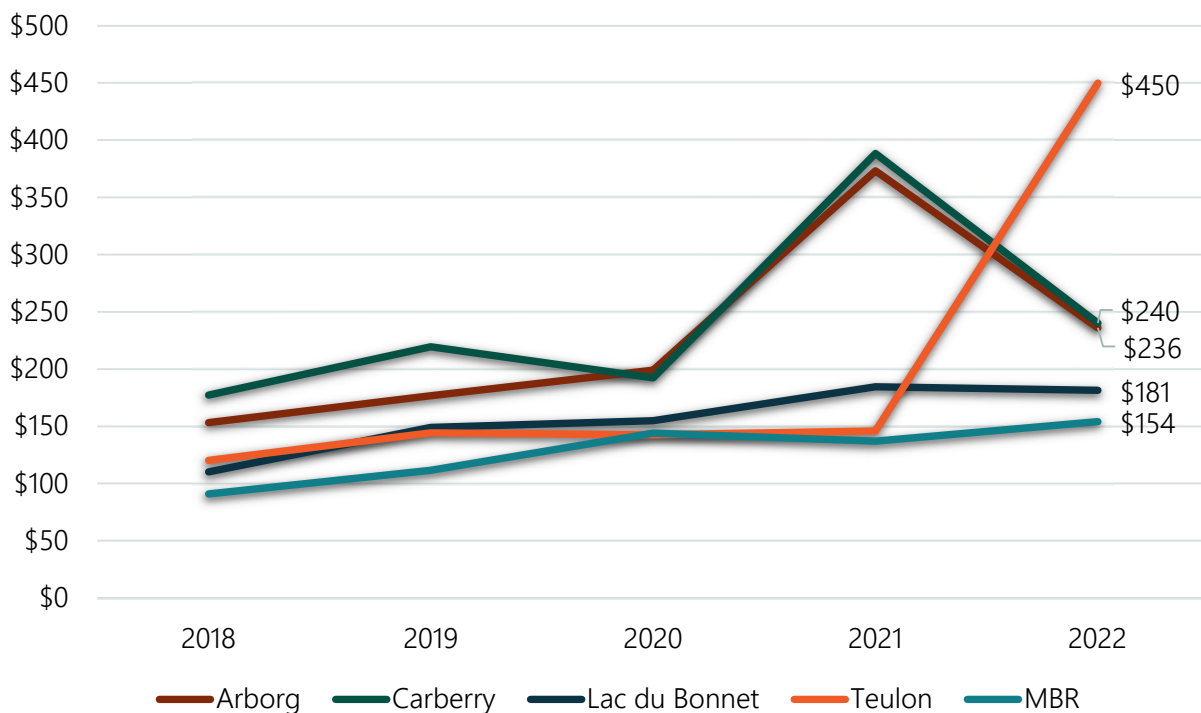
- Total operating costs for parks per person

- 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 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 recreation programs and facilities in delivering services and experiences to the public. Figure 16 outlines recreation and cultural services cost per capita, calculated based on the annual total cost listed under recreation and cultural services in the municipal financial plans divided by the population (based on 2021 Census).

Results show that Arborg and Carberry closely follow each-other, with a spike in operational spending in 2021 to support facilities and programs during the pandemic. Arborg’s cost per capita settled at \$236 in 2022, slightly below Carberry (\$240), and above Lac du Bonnet (\$181) and MBR (\$154). Teulon’s cost per capita spiked from \$146 in 2021 to \$450 in 2022, which appears to be due to delaying facility repairs and maintenance until pandemic restrictions ended. The average operating cost per capita has increased from \$131 in 2018 to \$252 in 2022 (\$203 excluding Teulon). Arborg’s recreational spending is typically above average but is not an outlier compared to its peers.

Figure 16: Recreation and Cultural Services Cost per Capita





## Recommendations

Several recommendations have been identified for recreation services:

- **Long-Term Capital Plan:** The Master Plan's facility assessment outlined the detailed requirements for equipment replacement in the ABPRC's facilities, but there has not been an actionable capital plan implemented by the ABPRC or the municipalities to address facility needs. It is recommended the ABPRC board formalize a 10-year capital plan. This plan should detail:
  - The equipment identified for replacement in the Master Plan, prioritized based on expected year of replacement (or matched to expected fundraising target dates)
  - Additional equipment identified by the board for existing programs or new programs planned to be implemented in the next 10 years, prioritized based on expected year of replacement
  - A funding plan outlining the total funding required in each year and the ABPRC's expected funding sources, including operating funding, municipal funding, other grant funding, and community fundraising targets.
  - If community fundraising targets are significant, the ABPRC should also establish a fundraising plan to complement the long-term capital plan.

The long-term capital plan should be revisited and updated periodically. For example, updating the plan each year with progress from the prior year, and performing a full update of the 10-year plan at minimum every 5 years.

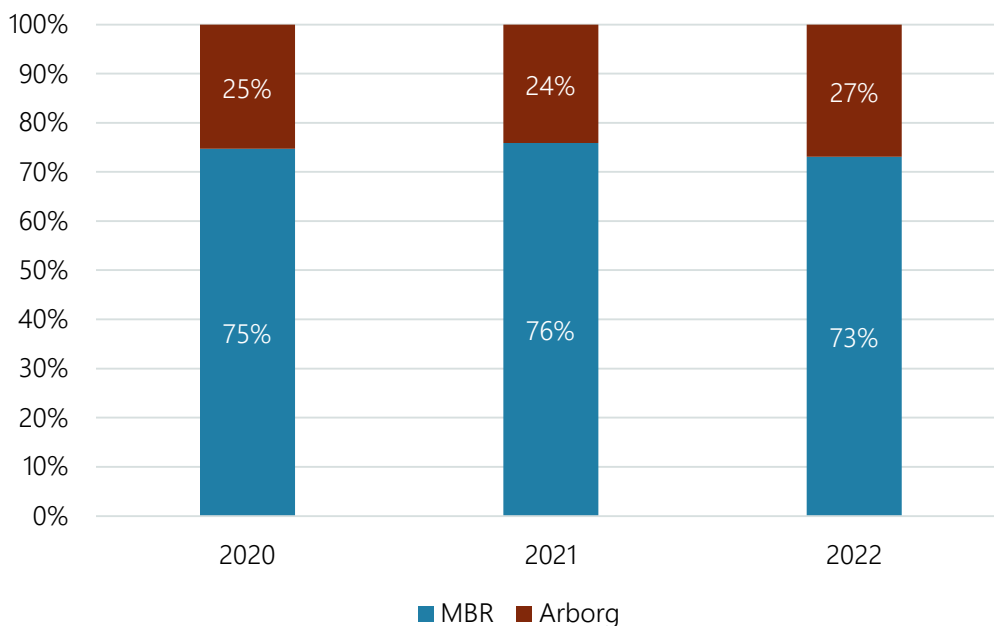
- **Increase to Recreation Reserve Funding:** Several interviewees drew attention to Arborg's creation of the recreation reserve in by-law 5-2022. However, the initial reserve provision of \$10,000 in 2024 will not have a significant impact on the \$1.2 million in equipment replacement needed for ABPRC's facilities. The municipal Councils will require direction from the ABPRC in the form of a long-term capital plan to establish an understanding of what will constitute a sufficient reserve provision in future years. The same interviewees content with the creation of the recreation reserve also expressed concern about a potential unexpected breakdown of aging arena equipment which could shut-down the facility and cost the ABPRC over \$100,000 that it not currently funded. An increased reserve could help in such a scenario. MBR's 2022 fiscal review also recommended the creation of a recreation reserve, but it does not appear to have been enacted in the municipality's 2023 financial plan.
- **Improved Municipal Collaboration:** The Master Plan recommended more collaboration between the ABPRC, RBPRC, and the municipalities in the delivery of recreation services. However, there does not appear to be results in terms of shared programming or communications from the commissions since the publication of the plan. The recent decision by MBR to remain in the ABPRC signifies their commitment to the success of the commission and has opened a pathway to improved communication. Collaboration is required to establish the regional participation and support in programs which will lead to better future planning for both commissions. The commissions may also have more success jointly lobbying for an increased recreation reserve from both municipal councils that equitably distributes capital funding to both commissions.
- **Long-Term Regional Recreation Plan:** Ultimately, the implementation of a long-term capital plan, an increase in recreation reserve funding, and improved municipal collaboration should lead to longer term planning for recreation facilities and services in the region. In particular, the commissions should begin discussing the plan for when facilities reach the end of their useful life and are retired in each locale. Several stakeholders have already identified the need for consolidation of facilities. For example,

when the Riverton Curling Club facility ages to the point that repairs are insufficient and a new club is needed, the Arborg Curling Club could potentially absorb Riverton’s membership, or vice versa, and the commissions and municipalities could shift funding to focus on a single facility. Consolidation of facilities would also help with the ABPRC’s staffing challenge as less staff would be required to operate shared facilities. As noted in the master plan, many municipalities are moving to a multi-plex recreation model as the cost of constructing, maintaining, and operating single use facilities has become increasingly un-economical. The ABPRC and the RBPRC will need to start shifting to a longer-term regional focus and consider facility consolidation and shared resource planning as these eventualities approach.

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

The B.A.R. Waste Authority Co-op Inc. (BAR) operates a landfill for MBR and Arborg’s residents. MBR controls a 2/3 share of BAR and Arborg controls 1/3. The municipalities split the annual funding of BAR’s operating expenditures based on their actual share of dumped refuse (measured in kilograms). Figure 17 outlines the dumping rate shares from 2020 to 2022, with Arborg averaging a 25.4% dumping share to MBR’s 74.6% share.

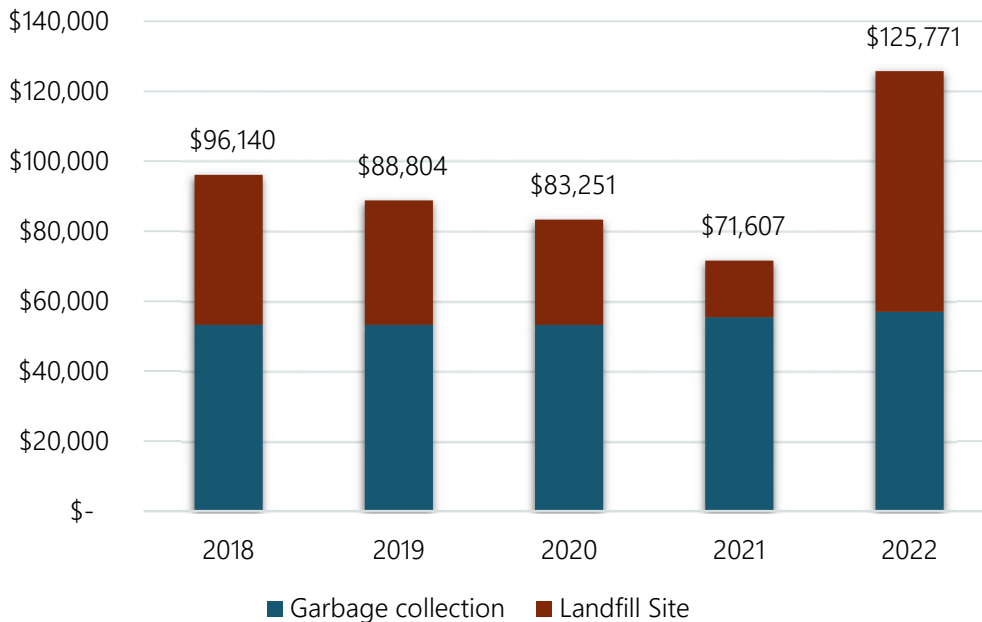
Figure 17: Dumping Rate by Municipality, 2020 to 2022



A landfill expansion was completed in 2021 to add additional cells and expand the life cycle of the landfill by an estimated 25 years. The expansion cost \$534,433 and was split 67% MBR and 33% Arborg based on municipal share ownership in the cooperative. To pay for its share, Arborg borrowed \$113,144 under borrowing by-law 8-2022 and covered the remaining \$65,000 from the Town’s general operating fund. However, an unexpected invoice from the contractor for an additional \$109,150 was billed near the end of 2022 to complete the burn pit relocation and removal and garbage soil cover. Arborg’s share of \$36,384 was borne by the general operating fund, increasing its total costs for the landfill from a low of \$16,216 in 2021 to \$68,828 in 2022 (Figure 18).

Neither Arborg nor MBR have a reserve established for BAR Wastes capital needs. MBR’s portion of the expansion was funded primarily from the RM’s gas tax reserve.

Figure 18: Arborg Garbage Collection and Landfill Site Operating Costs, 2018 to 2022



Arborg’s Council members and staff did not identify concerns with BAR’s current operations. They believe that the current sharing structure is fair and that the landfill has the resources it needs to continue operating into the foreseeable future.

Several concerns raised in MBR’s 2022 fiscal review pertaining to BAR continue to be outstanding which could negatively impact the future financial performance of both municipalities:

1. There is no capital reserve in either municipality to help cover the cost of future landfill renovations or closure and post-closure care costs. BAR had accrued a \$64,116 liability at the end of 2022 for landfill closure and post-closure costs which are required under provincial law. Each cell is estimated to have a post closure cost of \$15,000 plus \$1,000 per year for 25 years.
2. The current cost sharing model calculated by the CAOs of each municipality is not recorded in a by-law or formal contract between the municipalities, which leaves some interpretation as to how deficits and surpluses are treated each year and the timing of funding to ensure BAR is cash-flow positive.

## Performance Measures

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 2021 Census data 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.

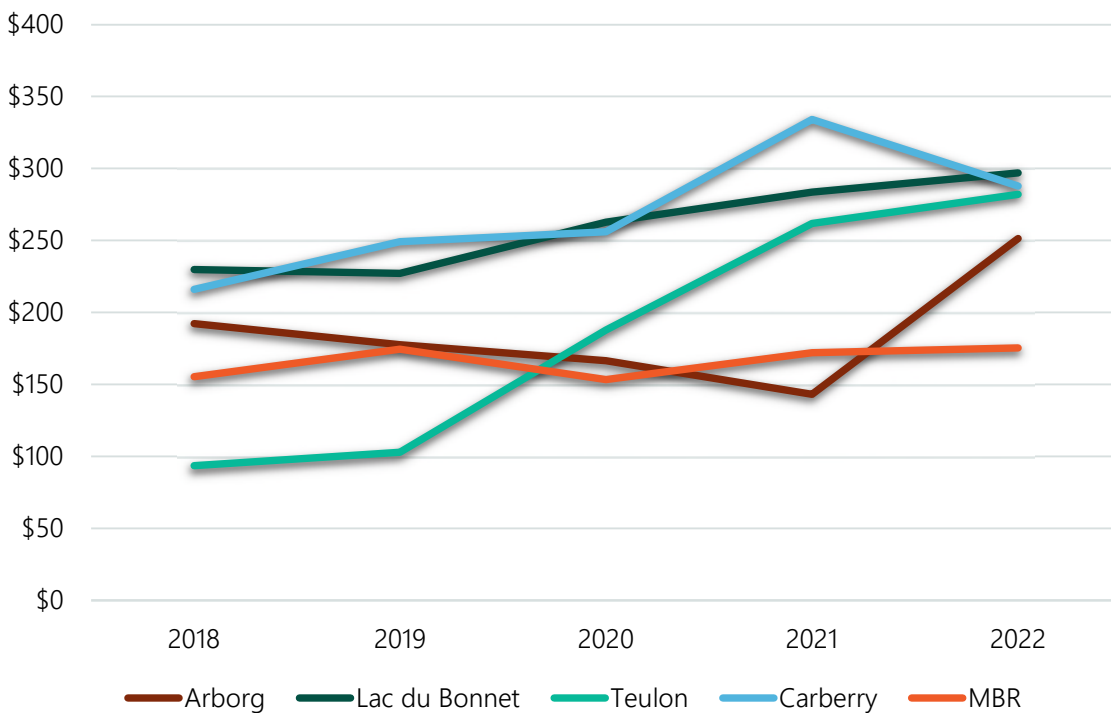
Figure 19 provides the results of the total waste collection and recycling cost per household for the comparison municipalities. Arborg’s cost increased in 2022 due to the unexpected construction costs paid from the operating fund. Despite the construction costs, Arborg and MBR had the lowest waste collection and disposal costs per household in both 2021 and 2022 compared to the benchmark communities. This result provides evidence that BAR is providing relatively good value for its member communities.

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

Arborg and MBR should consider tracking these results to better measure BAR’s performance.

Figure 19: Total Waste Collection and Disposal Cost per Household by Municipality



## Recommendations

No near-term fiscal issues were identified with BAR Waste’s current operations, but several recommendations from MBR’s 2022 fiscal review still apply to the current state:

1. A new revenue and cost sharing agreement should be put in place through a municipal by-law adopted by MBR and Arborg. The new agreement should detail how certain accounting items should be treated and shared, including:
  - o If the current method of using dumping rates is acceptable for determining the cost share, and the methodology used to calculate the dumping rates.
  - o In the case of an operating surplus, if credits should be issued to the municipalities or reinvested into BAR's operations through the use of a reserve or accumulated operating surplus.
  - o In the case of an operating deficit, if the municipalities are responsible for funding the shortfall and how the split of deficit funding is determined (e.g. dumping rate from the deficit year), or if an accumulated surplus in BAR from prior year should be used to fund deficits per the point above.
  - o The amount each municipality commits to fund a BAR capital reserve annually (see next point).
2. 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 and fund their respective reserves from an additional special rate levy. Using funds from the new reserve should require joint Council approval.

## Water & Sewer

Arborg's public water system provides potable drinking water to the town and to several adjacent properties in MBR. Arborg's water supply is sourced from a groundwater well located 4.5km west of Arborg's water treatment plant. As of December 31, 2022, Arborg distributed water to 560 connections within its boundaries, with 4 additional sewer-only connections. Arborg also distributes to 9 properties located in MBR, including; a 16-unit apartment building, an Agricultural Services Supplier, a Fire Hall, a single-family dwelling and a duplex. There are also 7 additional sewer-only connections to MBR for properties located in the Industrial Park on the south side of Highway 68 along Arborg (Appendix C).

Arborg established its water and wastewater rates through By-Law No. 04-2015, which applied to the years 2016, 2017, and 2018. The Public Utilities Board (PUB) approved these tariffs, subject to a revision requirement by November 30, 2019<sup>5</sup>. However, the revision was not executed as planned. Currently, Arborg's CAO is planning a new water rate study to submit to PUB for a rate update this year. Utility rates in the comparison municipalities have all been updated since 2019, showing that Arborg is several years past due for a rate update.

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<sup>5</sup> Public Utility Board Order No. 65/16 <http://www.pubmanitoba.ca/v1/pdf/16water/65-16.pdf>

## Shared Service Agreement

The agreement between Arborg and MBR, outlined in By-Law 8-2008, establishes the responsibilities of each party in providing sewer and water services to the contiguous area. The key points of the agreement are as follows:

- MBR is responsible for constructing and installing wastewater sewer and water mains, lines, valves, fire hydrants, fittings, and necessary attachments from the Arborg's mains for properties within MBR's boundaries. MBR will also install meters at locations agreed upon by both parties. MBR will pay for all costs associated with the construction, installation, and connection.
- Arborg will bill sewer and water services charges directly to the owners in the contiguous area. However, if an owner fails to pay the charges, Arborg will notify MBR, and MBR will pay the outstanding charges to Arborg.
- MBR will pay Arborg one-quarter of the municipal property taxes from lands serviced by either water or wastewater sewer utilities.
- MBR will pay Arborg one-half of the municipal property taxes from lands serviced by both water and wastewater sewer utilities.
- The municipalities agree that an incentive may be given to any business enterprise wishing to locate in the contiguous area. The incentive period will be up to five years from the date MBR first levies taxes upon any Enterprise locating in the said contiguous area. During the incentive period, the sharing of the tax revenue between Arborg and Bifrost will be postponed.

The obligation to share tax revenue is applied to properties in MBR and contiguous to Arborg as outlined in Appendix C. The area includes agricultural and residential suburban zones to the north of the town; residential suburban and commercial highway zone to the east and the west; agricultural, commercial highway, recreational and industrial zones to the south (see Appendix D for MBR's zoning).

In total, MBR has remitted \$374,773.79 in taxes to Arborg since 2009, of which \$176,395.32 was for the south expansion area where the industrial park is located. The transferred amount for the industrial park was \$17,987.68 in 2022, from \$36,969.38 total. An annual per parcel local improvement levy was included in By-Law 8-2008 on the industrial park properties to fund the construction of initial infrastructure, but MBR no longer charges the levy as funding needs were met.

Significant investment in expansion of the water and sewer system has continued to be delayed. MBR's financial plans show that \$3 million has been allocated to an "Industrial Park Water and Sewer" project in their 5-year capital plan since 2020. However, the project has been delayed each year since, and is currently scheduled for capital disbursement in 2025. Additionally, MBR's financial plans show that \$7.6 million has been set aside for the "Riverton Water Connection," which has also faced delays since 2020 but is now scheduled for capital disbursement in 2023, as indicated in the 2022 5-year plan, suggesting that it is of higher priority to the Council.

The agreement for the provision of water and sewer services was made in 2008, which was seven years prior to the amalgamation of the RM of Bifrost and the Village of Riverton to create the Municipality of Bifrost-Riverton in 2015. Since the amalgamation the priorities of the new municipality have shifted due to the need to focus the needs of the Riverton population centre which was not a consideration in the 2008 agreement. At present, stakeholders in MBR have expressed their view that the existing tax-sharing arrangement, as stated in By-Law 8-2008, is unjust to MBR. However, it is worth noting that when Bifrost joined Arborg's water and sewer system, there was no capital contribution to Arborg for existing infrastructure. Tax-sharing was to compensate for this.

Water and sewer infrastructure availability are crucial to developing the industrial park adjacent to the town of Arborg. Without it, existing businesses like Viking Motors, who plan to add a car wash to their dealership, and new projects like 7080507 Manitoba Ltd.'s proposed hotel, cannot move forward. Detailed analysis of the prospective development of the industrial park, including potential investors and anticipated economic impact, is provided in the Industrial Park Review section.

## Recommendations

- **Complete the tariff revision:** The PUB has approved the tariff rates for Arborg's water and wastewater utilities, subject to a revision requirement by November 30, 2019. Arborg is nearly 4 years behind the original revision requirement. It is important that Arborg completes their application to the PUB this year to ensure compliance with the approval and to ensure the rates are up-to-date and utility costs are being properly funded.
- **Consider updating rates more frequently:** Comparator municipalities all updated their water and wastewater rates in the last 4 years since 2019. Arborg should consider revising its rates more regularly to keep up with peer municipalities and to ensure the rates are fair, equitable, and provide for cost recovery.
- **Review and revise the existing agreement for water and sewer services:** The shift in priorities since the amalgamation of the RM of Bifrost and the Village of Riverton to create the Municipality of Bifrost-Riverton in 2015 may necessitate a review of the existing agreement. It is important to ensure that the needs of all communities are addressed and that the current arrangement is fair to all stakeholders. Further exploration of this recommendation is provided in the Industrial Park Review.
- **Consider establishing a regional co-operative for water and wastewater services for the purpose of long-term water management:** Arborg and MBR should consider establishing a co-operative organization for water and wastewater services, taking inspiration from the model established by the Pembina Valley Water Co-operative (PVWC)<sup>6</sup>. The PVWC is a not-for-profit organization owned by 14 member municipalities in southern Manitoba with a mandate to provide potable water to its municipal members. As a co-operative the member municipalities can pool resources and centrally manage their water infrastructure needs to better meet the needs of the region. By adopting a regional approach, Arborg, MBR, and other municipalities in the North Interlake region could work together to provide efficient and reliable services, promoting the well-being and development of the region.

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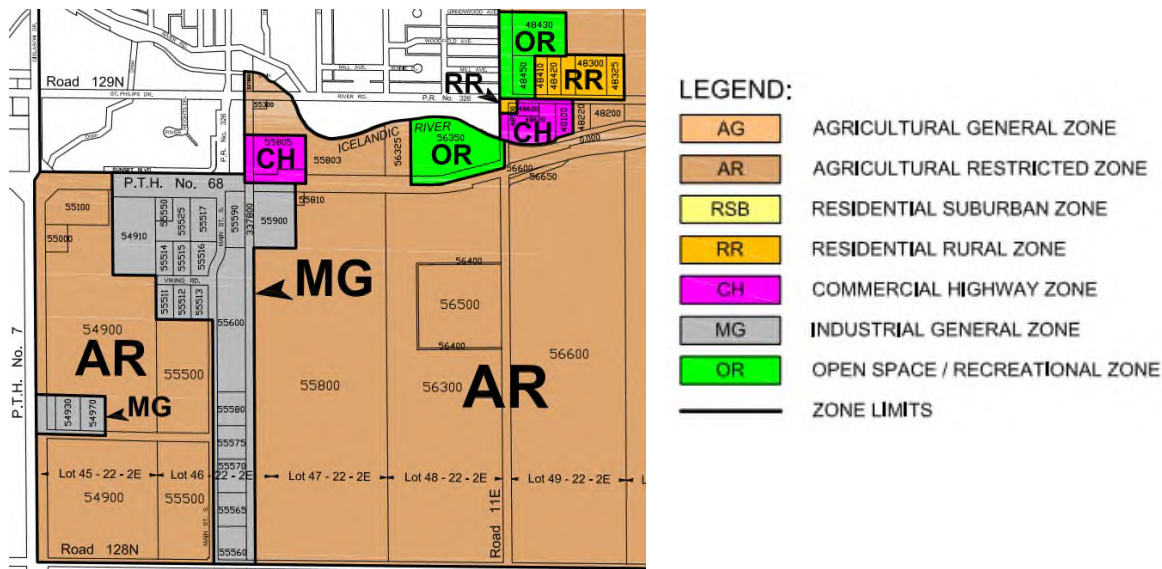
<sup>6</sup> The PVWC, a privately held not for profit cooperative <https://pwwc.ca/>



# Industrial Park Review

The Industrial Park is located on the south side of Highway 68. It is the area classified as Industrial General Zone (MG) in RM of Bifrost Zoning By-law 4-2011. The “MG” Industrial General Zone is intended to provide for light manufacturing, processing, distribution, transportation, and warehouse uses that create no nuisances. Certain heavy industrial uses may be listed as “conditional” uses (Appendix E).

Figure 20: Zoning Map, RM of Bifrost Zoning By-Law No. 04-2011, Eastern Interlake Planning District



The industrial zone comprises 21 property slots, covering a total area of 83.05 acres as per the zoning map. As of the assessment reference date of Apr 1, 2021, the total assessed property value is \$7,316,400, with \$990,500 assigned to land value and \$6,325,900 assigned to buildings value, which is applicable for tax calculation in 2022 and 2023.

Appendix E provides a list of businesses operating in the area, along with their assessed property values and the change in value since 2008. The listed companies include Maple Leaf Agri-Farms Inc, which operates a farm; Nutrien Ag Solutions, an agricultural crop inputs provider; Midlake Specialty Food Products Inc, a bulk hemp processor; Ventrix Heating & Ventilation, a provider of heating, air conditioning, and ventilation systems, and Viking Motors, an auto dealership, among others.

The industrial park is encompassed by an agricultural restricted zone, which supports agricultural activities and uses in areas adjacent to urban centers while safeguarding lands designated for future residential and recreational development under the Eastern Interlake Planning District (EIPD) Development Plan<sup>7</sup>. In addition, a commercial highway zone is located beside the industrial park on the other side of Highway 68, where Enns Brothers, an agricultural and sports equipment supplier, is situated.

<sup>7</sup> Eastern Interlake Planning District Development Plan adopted by the Board as By-law No. 02-2010



Since 2008, the assessed value of the industrial park has increased by \$3,090,300, with \$382,200 attributed to the increased value of the land and \$2,708,100 to the increased value of buildings, including the development of new buildings. Currently, 44.05 acres of the total 83.05 acres remains undeveloped.

Interviewees identified several businesses that are seeking to build or expand their operations in the industrial park, including:

- Viking Motors has expressed a desire to add a car wash to their car dealership.
- 7080507 Manitoba Ltd. is discussing building a hotel on their property.
- Okno Manufacturing is considering purchasing property in the industrial park to move their manufacturing division of Swivel out of Arborg, where they have outgrown their current location.

Businesses in the industrial park currently have sewer-only connections with Arborg and use their own well water. These businesses require water services extended to the industrial park to meet their planned water capacity requirements. Per the shared services agreement outlined in By-Law 8-2008, MBR is responsible for constructing and installing wastewater sewer and water lines, while Arborg is obliged to provide water supply and sewer services. MBR has delayed investing in the expansion of the water and sewer system to the industrial park. The delay in capital infrastructure plans in recent financial plans shows that MBR's focus is divided between the Riverton water connection and the industrial park water services expansion project.

The development of the industrial park adjacent to Arborg presents a significant opportunity for economic growth. There is potential for increased job opportunities and economic activity as new businesses arrive and existing ones expand. This is particularly important for Arborg, as its population is the primary source of labour for the industrial park businesses. Moreover, the resulting increase in demand and business activity within the industrial park can stimulate economic growth for the town's businesses, including those in construction, rental & leasing, retail trade, transportation & warehousing, and other services. Additionally, the expansion of the industrial park may lead to the creation of new infrastructure and services, further improving the quality of life for the regional population.

While MBR may benefit from increased tax revenues, it is important to ensure that the distribution of the investment burden and future benefits is fair and well-analyzed. The required investment in water infrastructure in the industrial park is significant (estimated at \$3 million in MBR's 2023 financial plan), and the current tax-sharing arrangement may leave little incentive for MBR to prioritize the industrial park development over other municipal needs. Further investment in the industrial park must align with the needs and priorities of both Arborg and MBR and provide an economic benefit to both communities.

## Recommendations

The necessity to provide water services to the industrial park is apparent as significant economic development in the area is at a standstill until water infrastructure is extended. Several potential options to advance the development of water infrastructure to the area include annexation of the land, a renegotiation of the shared water and sewer agreement, or the establishment of a regional water co-operative.

## Annexation Option

There is an option for Arborg to consider annexing the Industrial Park, keeping in mind the following principles outlined by the Municipal Boundary Changes Handbook: Annexations, issued by the Manitoba Municipal Relations Department in January 2022<sup>8</sup>:

- **Servicing:** "Servicing is one of the primary principles guiding annexation proposal review. The municipality that can best provide the required municipal infrastructure to the residents and landowners of a particular area should normally exercise municipal jurisdiction over that area... The ability to provide water and sewer service to a particular area is a strong indicator that the area should be annexed to the municipality that provides the service." In this case, the industrial park requiring servicing from Arborg is a clear indication that the principle of servicing would be met in an annexation proposal.
- **Viability & Future Growth:** Planning documents, such as development plans, should be created to outline the planned development of the area.
- **Will of the People:** The voices of the residents and landowners of an area proposed for annexation should be considered. This may involve a public referendum.
- **Geographical Boundaries:** Geographical boundaries, which must serve as a logical boundary line, may be ambiguous in relation to this case. The irregular shape of the industrial area, surrounded by the restricted agricultural zone, makes it difficult to define the boundaries of the annexed territories.

The annexation agreement should include financial compensation to MBR. The current property assessed value of \$7,316,400 would generate \$99,644 in property tax for the municipality per year, based on MBR's general rate of 18.159 mills (MBR, 2022) and a 25% share paid to Arborg for sewer under the current agreement. The net present value of future taxes generated by the industrial park in its current form is \$2,214,308<sup>9</sup>. Coupled with the required infrastructure, a lump-sum payment would be a financial burden on Arborg's budget. However, an alternative solution could involve agreeing on an installment payment plan over 20-25 years. Another option is to negotiate an agreement where Arborg shares the taxes generated from the industrial zone with MBR. These approaches could help alleviate Arborg's financial strain while providing fair compensation to MBR.

Municipalities are encouraged to work together prior to making an application for annexation. This will reduce delays and conflicts and address public concerns efficiently. Although individual municipal proponents may submit their proposals directly to The Municipal Board, getting a positive decision this way may be challenging. Recent precedents in Manitoba are unavailable, but the Saskatchewan Municipal Board decision dated 2023-01-12 can be considered a relevant precedent<sup>10</sup>. In this case, White City lost a land dispute against Edenwold RM as the Municipal Board concluded that the annexation of the developed lands had been sought only for financial reasons rather than to enable future growth.

The annexation of the industrial park would not address the issue of water and sewer supply for the adjacent territories to the north, east, and west. Therefore, it is still essential for Arborg and MBR to establish a new water

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<sup>8</sup> Municipal Boundary Changes Handbook: Annexations, Manitoba Municipal Relations Department, January 2022.

<sup>9</sup> Net Present Value = Annual Net Taxes / Bank of Canada Policy Interest Rate; \$2,214,308 = \$99,644 / 4.5%

<sup>10</sup> <https://whitecity.ca/p/2018-boundary-alteration>

and sewer agreement. By entering into a new agreement, the municipalities can ensure that the necessary infrastructure and services are in place to support the development and growth of these territories.

## Renegotiation Option

Arborg could initiate negotiations with the MBR to establish a new water and sewer agreement that reflects both municipalities' current needs and priorities. During the negotiation process, estimating the additional load added to Arborg's infrastructure is essential due to new water and sewer connections and an increase in the consumption of services. This load estimation should form the basis for determining fair compensation that MBR should provide to Arborg for capital investment in maintaining and enhancing its service supply capacity. Furthermore, the agreement should explicitly outline these compensation terms to ensure transparency and fairness, as it is not clear in the current deal.

It is important to specify the water and sewer tariff rates that would be applied to the consumers in the industrial zone. This includes determining whether tariffs would be equal to the town's rates, understanding how they are structured, and considering the potential for future revisions.

To address the financial requirements for infrastructure development in the industrial zone, Arborg and MBR should explore the possibility of joint investment. As a result, both parties can contribute funds towards infrastructure projects, thereby sharing the financial burden. In return, the agreement should outline how the tax revenues generated from the developed areas will be shared to offset the initial investment. The parties should come to a consensus on whether service connection fees should be imposed on the developed properties and establish a clear schedule for their implementation. To reduce the charges levied on each property it is important to estimate the potential interest in water and sewer services to the industrial park.

MBR could also apply for the Rural Water Development Program of The Manitoba Water Services Board<sup>11</sup>, which provides technical and financial assistance to develop safe and sustainable water and sewer infrastructure for rural communities. The industrial park is within the jurisdiction of the rural municipality despite its industrial zoning and houses big local businesses in the agricultural-related or agricultural support industry. The development of the industrial park provides economic benefits to both the municipality and the province through provincial taxes.

Assistance for projects is based on a 2-tier system, with a 50% grant for projects with documented public health or environmental problems and a 50% grant for projects with economic benefit to Manitoba and the Municipality. Projects which are primarily local improvements are eligible for a 30% grant. The remaining costs are usually shared between the local municipality and the federal government.

## Regional Water Co-operative

The formation of a regional water co-operative, as recommended in the Water and Sewer section, is primarily a long-term strategy for water infrastructure and resource management and is unlikely to provide a short-term solution to Arborg and MBR's Industrial Park water infrastructure needs. However, it is recommended that

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<sup>11</sup> Rural Water Development Program Brochure <https://www.gov.mb.ca/mr/mwsb/pubs/2017rwdfact.pdf>

Arborg explore the idea of a water co-operative with other municipalities in the North Interlake region as it could provide a more democratic approach to prioritizing water infrastructure projects for the region.

# Development Incentive Comparison

Arborg offers tax incentives to encourage economic development, as described in by-law 9-2019. The analysis in this section includes eligibility criteria and incentive rates for Arborg, MBR, Teulon, and Carberry compared on both a commercial and residential basis.

## Commercial

Arborg provides a cash grant to new commercial and industrial developments that result in a total property assessed value increase of over \$250,000. This grant is equivalent to a percentage of the general municipal taxes imposed on the property. The incentive comprises 80% in the first year and 50% in the subsequent two years, totaling 180% over the three-year period.

In comparison, MBR offers a five-year tax incentive program that provides financial assistance, starting with 100% in the first year and then decreasing by 20% each year, totalling 300%. In addition, MBR does not set a lower limit for increased property assessed value, making it more attractive for smaller developments.

The town of Teulon offers similar tax incentives to Arborg for newly constructed commercial properties, scheduled for three years at 80%, 60%, and 40% (180% total). However, eligibility criteria for improvements of previously existing properties are specific, demanding that they have been vacant for at least six months, assessed over \$75,000, and involve the creation of a new business in Teulon. Eligible improvements to previously existing properties receive an 80% tax compensation for one year.

The town of Carberry specifies the zoned areas of development for tax incentives applicability and sets the maximum rebate according to the amount of the property assessment value increase. It motivates the most improvements over \$250,000, giving them a 66% tax reimbursement for ten years, while improvements of \$50,000-\$99,000 receive a 33% incentive, and of \$100,000-\$249,999 receive 40% for five years.

The Town of Lac-du-Bonnet did not provide information regarding development incentive programs. Table 7 summarizes the development incentives for commercial properties in each municipality.

*Table 7: Tax incentives for Commercial Developments*

Municipality	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Arborg</b>	80%	50%	50%	-	-
<b>Bifrost-Riverton</b>	100%	80%	60%	40%	20%
<b>Teulon</b>					
New	80%	60%	40%	-	-
Previously existing	80%	-	-	-	-
<b>Carberry</b>					

Municipality	Year 1	Year 2	Year 3	Year 4	Year 5
Project cost is 25% of the initial value (max \$12,500)	25%	25%	25%	-	-
Value increase \$50,000 - \$99,000 (max rebate \$33,000)	33%	33%	33%	33%	33%
Value increase \$100,000 - \$249,999 (max rebate \$100,000)	40%	40%	40%	40%	40%
Value increase \$250,000+ (max rebate \$165,000)	66%	66%	66%	66%	66% *extends to 10 years

## Residential

Arborg's residential development incentive program offers nearly symmetrical incentives as the industrial program, except for new residential subdivisions that create four vacant legal properties, which receive 40% reimbursement in the third year. This program applies only to multiple-unit dwellings.

MBR's program benefits both multi- and single-family homes with higher tax reimbursement rates for the former, scheduled for five years as 80%, 60%, 40%, 20%, and 10%, totalling 210%. For single-family residences the reimbursement rates are 75%, 50%, and 25%, totalling 150%.

Teulon's program doesn't separate residential developments by multi- or single-dwelling criteria and provides them with tax incentives for three years, similar to commercial properties, 80%, 60%, and 40% (180% total).

Carberry's program specifies only case-by-case considerations for tax incentives for residential sector developments.

Table 8 shows the different development incentives for commercial properties in each municipality.

*Table 8: Tax incentives for Residential Developments*

Municipality	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Arborg</b>					
Multi-unit	80%	50%	50%	-	-
New residential subdivision	80%	60%	40%	-	-
<b>Bifrost-Riverton</b>					
Multi-family dwelling	80%	60%	40%	20%	10%
Single-family dwelling	75%	50%	25%	-	-
<b>Teulon</b>	80%	60%	40%	-	-
<b>Carberry</b>	Evaluated on a case-by-case basis				

Overall, Arborg's development incentives program provides relatively competitive incentives for those investing in property development. However, the MBR's incentive program for commercial development is more generous than Arborg's program as it provides an additional 120% cumulative tax rebate over the 5 years of the program and there is no lower-value limit. MBR's program could compel some commercial businesses to choose MBR over Arborg for new development.

## Recommendations

Arborg should engage with property developers and stakeholders to gather their feedback and insights regarding the perceived effectiveness of Arborg's development incentives program. Specifically, developers who constructed in either Arborg or MBR should be asked if the development incentive program played a role in their decision where to develop. This feedback can provide valuable guidance for improving and tailoring the program to better meet the needs and expectations of potential investors.

# Fiscal Review

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Analyses of audited financial statements and schedules were conducted to assess Arborg’s overall financial health. The statements examined span a four-year period (2017-2020). It should be noted that at the time of this report, 2021 and 2022 audited financial statements were not available for review. Arborg reports to providing its financial information to their auditor on time and comprehensively. Due to issues beyond their control, audited financial statements have not been produced by their auditor to date.

The purpose of the financial statement review is to review Arborg’s historical financial performance and identify potential key drivers for changes in financial health. An adjusted compound annual growth rate (CAGR) formula (Figure 21) was used to calculate the mean annual growth rate of all ending balances to account for drastic annual increases and decreases. For example, examining growth in net financial assets from 2017 to 2020 using the conventional CAGR formula (Figure 22), yields a negative growth of -226.35% due to the negative 2017 ending balance, but common-sense dictates this is not the case and clearly understates growth throughout the examination period. This calculation method provides a more accurate depiction of the overall trends of each financial statement item examined.

Figure 21: Adjusted Compound Annual Growth Rate Formula

$$\text{Adjusted Compound Annual Growth Rate} = \left( \frac{2020 \text{ End Balance} - 2017 \text{ End Balance} + |2017 \text{ End Balance}|}{|2017 \text{ End Balance}|} \right)^{1/t} - 1$$

Where  $t = 3$  years

Figure 22: Conventional CAGR Formula

$$\text{Compound Annual Growth Rate} = \left( \frac{2020 \text{ End Balance}}{2017 \text{ End Balance}} \right)^{1/t} - 1$$

Where  $t = 3$  years

## Statement of Financial Position

Arborg’s financial assets exhibit a general growth trend over the examined four-year period at an average annual growth rate of 22.03%. Liabilities have declined as the town has paid off debts which peaked at \$2.3 million in 2018. Net financial assets depict an average annual growth of 58.96% or approximately \$500,000 per year on average throughout the examined period. Non-financial assets have decreased at an average rate of -1.73% from 2017 to 2020. Arborg’s accumulated surplus has a four-year growth average of 3.99% and was not in a deficit position throughout the examination period.



Table 9: Consolidated Statements of Financial Position for Years Ended December 31, 2017-2020

	2017	2018	2019	2020
Financial Assets	\$1,541,151	\$2,334,331	\$2,510,846	\$2,800,669
Liabilities	2,046,468	2,322,127	2,081,495	1,781,459
Net Financial Assets	(505,318)	12,204	429,351	1,019,211
Non-Financial Assets	9,045,738	9,075,664	8,871,668	8,585,004
Accumulated Surplus	8,540,421	9,087,868	9,301,019	9,604,215

Table 10: Year Over Year Percentage Change in Financial Position 2017-2020

	2017	2018	2019	2020	CAGR
Financial Assets	(3.78%)	51.47%	7.56%	11.54%	22.03%
Liabilities	(19.89%)	13.47%	(10.36%)	(14.41%)	(4.52%)
Net Financial Assets	(46.97%)	(102.42%)	3418.12%	137.38%	58.96%
Non-Financial Assets	(3.14%)	0.33%	(2.25%)	(3.23%)	(1.73%)
Accumulated Surplus	1.84%	6.41%	2.35%	3.26%	3.99%

## Statement of Operations

Arborg’s statement of operations over the four-year period shows a financially stable municipality with consistent operating income and expenses. Revenues trended upward at an average annualized rate of 1.51%, while expenses trended downward at an average annualized rate of -0.50%. The lowest reported surplus was \$154,487 at the end of the 2017 fiscal year, in which the town recorded public health and welfare services and resource conservation and industrial development expenses that were higher than usual ranges. Public health expenses were historically within the \$40,000 to \$50,000 range but the town reported \$143,344 at the end of 2017. Resource conservation and industrial development expenses historically tended to fluctuate more, but the most significant cause of the variance stems from nearly \$93,000 attributed to regional development at the end of 2017. These outliers are linked to grants and transfer payments that were higher than usual during the year. Arborg did not report a net loss throughout the period of study. Arborg’s accumulated surplus grew consistently at an annualized rate of 3.99% during the four-year period.

Table 11: Consolidated Statements of Operations 2017-2020

	2017	2018	2019	2020
Total Revenue	\$2,488,392	\$2,708,275	\$2,453,086	\$2,602,526
Total Expenses	2,333,905	2,160,828	2,239,935	2,299,330
Surplus	154,487	547,447	213,151	303,196

Table 12: Percentage Change in Operations Year Over Year 2017-2020

	2017	2018	2019	2020	CAGR
Revenue	0.34%	8.84%	(9.42%)	6.09%	1.51%
Expenses	6.61%	(7.42%)	3.66%	2.65%	(0.50%)
Surplus	(46.87%)	254.36%	(61.06%)	42.24%	25.20%

## Analysis of Revenues

This section explores the composition of Arborg’s total revenue by revenue stream as defined in the municipality’s schedule of revenues (Table 13) and compares against each of the comparator municipalities to highlight key differences and similarities (Table 14). Notable observations on examination of Arborg’s revenues include:

- **Property taxes** are Arborg’s greatest revenue source, comprising 41% of total revenue, on average. This is comparable to comparison municipalities which ranged from 39% to 52% of total revenue.
- **Water and sewer’s** total revenue is trending upwards with a CAGR of 7.5%. Arborg and Lac du Bonnet are the only sampled municipalities with their own water service, with Arborg’s water and sewer contributing 19.8% of total revenue and Lac du Bonnet’s water and sewer contributing 21.1%.
- **User fees** declined throughout the examination period. The average proportion of revenue generated by user fees during the period was 10.8%, decreasing from 12.9% in 2017 to 8.43% in 2020. The main driver for the decline is attributed to decreased revenue generation from sales of service, which accounts for approximately 76.50% of total user fees on average. In 2017, sales of service were \$241,408, declining to a low of \$161,375 in 2020. When compared to other municipalities, Arborg’s average is in line with the comparison municipalities, with the Town of Lac du Bonnet as an outlier at an average proportion of only 2.77%. The drop to 8.43% in 2020 may be a signal for the need to review user fees.

Table 13: Comparative Analysis - Percentage of Revenue Stream of Total Revenue

	2017	2018	2019	2020	Average Proportion of Revenue	CAGR
Property taxes	\$1,030,614	\$1,069,469	\$1,066,884	\$1,062,700	41.16%	1.03%
Water and sewer	434,351	529,496	537,402	539,552	19.84%	7.50%
Grants - Province of Manitoba	307,615	549,327	372,466	406,739	15.81%	9.76%
User fees	321,807	294,843	269,413	219,332	10.76%	(12.00%)
Other revenue	133,712	147,391	47,669	148,134	4.60%	3.47%
Grants - other	188,125	2,194	44,096	125,006	3.54%	(12.74%)
Grants in lieu of taxation	72,451	80,280	82,100	79,195	3.06%	3.01%
Investment income	11,706	31,257	46,701	13,039	1.00%	3.66%
Permits, licenses and fines	3,826	4,018	6,159	8,829	0.22%	32.15%
<b>Total Revenue</b>	<b>\$2,504,207</b>	<b>\$2,708,275</b>	<b>\$2,472,890</b>	<b>\$2,602,526</b>	<b>100.00%</b>	

Table 14: Rural Municipality Comparison – Average Proportion of Revenue 2017-2020

	Town of Arborg	Town of Carberry	Town of Lac du Bonnet	Town of Teulon
Property taxes	41.16%	53.77%	42.09%	39.35%
Water and sewer	19.84%	1.38%	21.12%	3.70%
Grants – Province of Manitoba	15.81%	14.91%	8.94%	16.87%
User fees	10.76%	11.58%	2.77%	12.71%
Other revenue	4.60%	7.57%	2.65%	12.55%
Grants – other	3.54%	7.55%	16.16%	9.00%
Grants in lieu of taxation	3.06%	1.23%	4.03%	0.72%
Investment income	1.00%	0.92%	1.48%	1.65%
Permits, licenses and fines	0.22%	1.10%	0.76%	3.44%
<b>Total Revenue</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Another noteworthy observation was that Arborg received much less in the “Grants – other” category compared to its peers. Arborg’s average grants - other revenue over the four-year period was \$90,000

compared to an average of \$263,000 for the 3 comparators. Average growth of this revenue stream per examined town differs drastically; Teulon had a CAGR of -4.4%, 1.6% for Carberry, and 55.5% for Lac du Bonnet. In Arborg's case, this revenue stream shows CAGR decrease of -12.7%.

The "Grants – other" revenue stream encompasses the following revenue sources:

- Federal government gas tax funding
- Other federal government funding
- Funding from local (municipal) governments
- Other grants

Federal government gas tax funding is a core and predictable source of funding for municipalities<sup>12,13</sup>. All municipalities examined received a relatively consistent stipend. Further examination of the other local (municipal) governments grants category indicates that the 3 comparators typically received more municipal grant revenue than Arborg. On average Carberry received \$111,000 annually, Lac du Bonnet received \$62,000, and Teulon received \$46,000, compared to Arborg's historical average of \$23,000. Information on the source of these grants for the comparator municipalities was not publicly available.

## Analysis of Expenses

A similar composition analysis was conducted on Arborg's total expenses by category as outlined in Table 15 and as defined in the town's Schedule of Expenses. Table 16 illustrates average expenses by category across the comparative towns. Historically, Arborg's highest 3 expense categories are water and sewer, recreation and cultural, and transportation.

- **Water and sewer** expenses comprised approximately 27.2% of total expenses, on average. Arborg's water and sewer services are self-funding, with revenues covering expenses in most years. From 2017 to 2020, water and sewer related revenues less expenses contributed a cumulative surplus of \$30,931.
- **Recreation and cultural** spending varies significantly by municipality depending on the level of service provided and services available in adjacent municipalities. Expenditures in this category range from a low of 8.4% of total municipal expenses in Teulon to a high of 25.7% in Carberry. Arborg appears to fall in the middle of the comparators with average recreation and cultural spending of 18.5%. Arborg's recreation and cultural expenses had a CAGR of 2.1% over the 4-year period.
- **Transportation** expenses declined over the 4-year period, with a CAGR of -2.2%. Arborg dedicated the lowest portion of its budget to transportation at 17.5%, with the other municipalities ranging from 19% to 23%.

Public health and welfare services expense declined significantly, indicated by a negative CAGR of -30.4%, but this is largely influenced by the \$143,344 Arborg spent on public health in 2017, which is an outlier as indicated in the Statement of Operations section. Spending on public health and welfare expenses between 2018 to 2020 was consistent and stable.

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<sup>12</sup> <https://fcm.ca/en/federal-gas-tax-fund>

<sup>13</sup> <https://fcm.ca/en/focus-areas/infrastructure/canada-community-building-fund>

Table 15: Comparative Analysis - Percentage of Expense Categories of Total Expenses

	2017	2018	2019	2020	Average Proportion of Expenses	CAGR
Water and sewer	468,603	463,605	541,175	536,487	27.15%	4.6%
Recreation and cultural services	481,098	456,140	472,952	511,583	18.47%	2.1%
Transportation services	422,797	417,526	387,646	395,045	17.46%	(2.2%)
Protective services	267,666	287,401	275,428	301,688	11.99%	4.1%
General government services	274,758	293,012	296,015	266,697	12.59%	(1.0%)
Environmental health services	151,047	153,708	173,288	168,690	5.44%	3.8%
Resource conservation and industrial development	101,664	21,653	20,173	53,553	1.75%	(19.2%)
Public health and welfare services	147,360	49,544	51,401	49,716	2.07%	(30.4%)
Regional planning and development	18,911	18,239	17,627	15,871	1.13%	(5.7%)
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

Table 16: Rural Municipality Comparison – Average Expense 2017-2020

	Town of Arborg	Town of Carberry	Town of Lac du Bonnet	Town of Teulon
Water and sewer services	27.15%	5.19%	24.13%	5.86%
Recreation and cultural services	18.47%	25.69%	8.44%	18.19%
Transportation services	17.46%	21.38%	19.08%	23.20%
Protective services	11.99%	14.78%	11.92%	20.45%
General government services	12.59%	13.61%	25.20%	21.61%
Environmental health services	5.44%	11.64%	6.69%	4.81%
Public health and welfare services	2.07%	3.76%	0.10%	0.17%
Resource conservation and industrial development	1.75%	1.39%	1.24%	1.71%
Regional planning and development	1.13%	2.56%	3.22%	4.00%
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Analysis of Reserve Funds

*The Municipal Act* stipulates that a municipal council can develop and ratify by-laws to establish reserve funds for any purpose. These are generally used for capital expenditures by program or service department and serve as a method to support municipal asset management and planning. Contributions to reserve funds are made through the distribution of surplus monies or levying special mill rates. Arborg’s annual financial plan by-laws indicate that the town will levy rates for reserve funds as deemed necessary.

Table 17 indicates that Arborg’s total reserve funds grew consistently from 2017 to 2022. Audited reserve balances for 2021 and 2022 were not available at the time of study, so the unaudited 2022 ending balance from Arborg’s 2023 financial plan has been included for comparative purposes. Net changes to the town’s reserve funds are overall positive, indicating it has contributed more than it withdrew from reserves since 2017. Reserve fund totals were at their lowest point at the end of 2017 at just over \$800,000 but have substantially increased to over \$2.6 million at the end of 2022, an average annual growth rate of approximately 45.7%.

Table 17: Reserve Fund Surplus (Deficit), End of Year

	2017	2018	2019	2020	...	2022 (unaudited)
Utility Replacement	\$272,613	\$418,681	\$661,166	\$925,741	...	\$1,196,207
Gas Tax	16,027	82,009	186,330	201,682	...	310,664
General	199,328	222,845	232,156	233,895	...	240,100
ABFES	19,534	19,332	51,004	66,954	...	223,416
PCH Building	17,494	20,611	144,808	171,176	...	202,520
Equipment Replacement	149,050	171,679	76,052	113,590	...	131,088
Paving	306	12,812	58,292	103,777	...	112,153
Economic Development	20,455	40,794	41,575	61,886	...	82,188
Critical Infrastructure Needs	-	-	37,160	37,439	...	38,434
Environmental Health	-	-	-	-	...	20,464
Handi-Van	19,239	18,045	18,390	18,528	...	19,021
Building	20,645	75,487	76,931	97,507	...	18,469
Fire	42,502	63,286	74,591	55,169	...	15,577
Road rehab	-	-	-	-	...	15,181
Recreation & Cultural	-	-	-	-	...	9,178
Walking	68	69	71	72	...	73
COVID-19 Restart	-	-	-	70,000	...	-

	2017	2018	2019	2020	...	2022 (unaudited)
Age Friendly Initiative	25,000	75,000	-	-	...	-
<b>Grand Total</b>	<b>\$802,261</b>	<b>\$1,220,650</b>	<b>\$1,658,526</b>	<b>\$2,157,416</b>	...	<b>\$2,634,733</b>

Arborg funds its reserves through special area levies (mill rates) as well as operating surpluses from related departments. It appears town management recognized that reserves were underfunded in 2016 and enacted several mill rates to replenish reserves, resulting in the growth in reserves from 2017 to 2022. Table 18 shows that mill rates for special area levies peaked in 2019 at 2.17 and have dropped to 0.952 for the 2023 taxation year. More detail on Arborg’s mill rates is included in the Taxation and Other Revenue Review section.

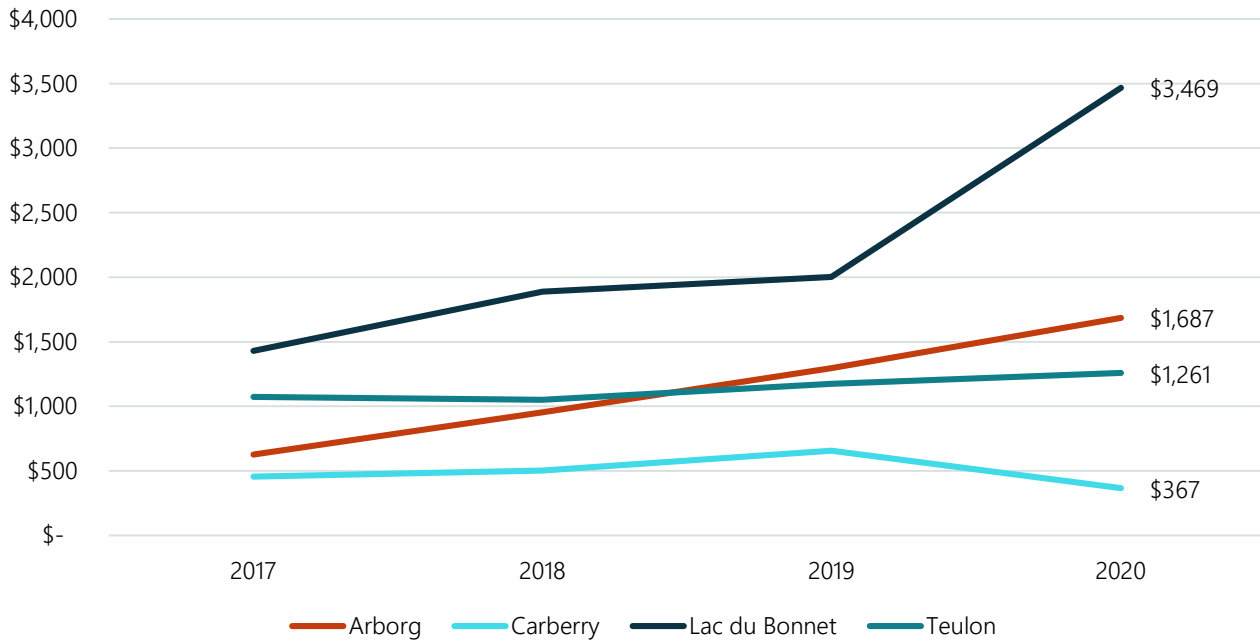
Table 18: Total Special Area Levies by Year, 2016 to 2023

Tax Year	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total reserves mill rate</b>	0.280	1.100	2.000	2.170	1.550	0.934	1.109	0.952

## Reserves Comparison

In comparison to comparators communities, Arborg demonstrates a steady positive trend in total reserve fund balance per capita, with only the Town of Lac du Bonnet’s average growing faster in comparison. On a per capita basis, Arborg’s reserve funds grew from \$627 per person in 2017 to \$1,687 per person in 2020, or 39.1% annualized. Comparing reserve funds per capita illustrates that all municipalities except for Carberry have taken steps to bolster their reserves for effective long-term capital planning and management as well as contingency planning for any unforeseen capital requirements. Lac du Bonnet’s high balance at the end of 2020 was primarily due to a \$890,000 transfer from its utility operating fund, which was then used in 2021 on utilities infrastructure, bringing the reserves per capita back to \$1,974 at the end of 2021.

Figure 23: Reserve Funds per Capita by Town, 2017-2020



## 2023 Capital Plan

Arborg’s 2023 financial plan estimates capital expenditures of \$3,012,800 for the year, of which \$1.81 million will be borne by reserves. This includes a \$1.18 million withdrawal from the utilities replacement fund for a watermain renewal and secondary well, \$180,000 withdrawal from the ABFES fund for a new rescue truck, and \$176,892 for a new recreation centre parking lot. Combining the 2023 planned capital expenditures with the 2023 budget reserve provisions transfer of \$112,330 to reserve funds would reduce Arborg’s total reserves to \$1.57 million by the end of 2023, or \$1,228 per capita. However, due to the health of reserves, no capital expenditures in 2023 are expected to be funded by new debt.

The 2023 capital expenditures will nearly drain Arborg’s utility replacement and equipment replacement reserves. The building reserve will also have only an estimated \$20,000 at the end of 2023, the lowest of the comparison municipalities. A \$20,000 reserve may not be sufficient to meet capital upgrades or replacement of municipal buildings. By comparison, Carberry and Lac du Bonnet’s building reserves were both over \$100,000 prior to making significant investments in 2021.

## 5-Year Capital Plan

The 5-year capital expenditure plan in Arborg’s 2023 financial plan identifies 11 capital items planned for the municipality between 2024-2028. Implementing these capital projects will draw down an additional \$505,000 in reserves and require \$3.7 million in new borrowing over the next 5 years.



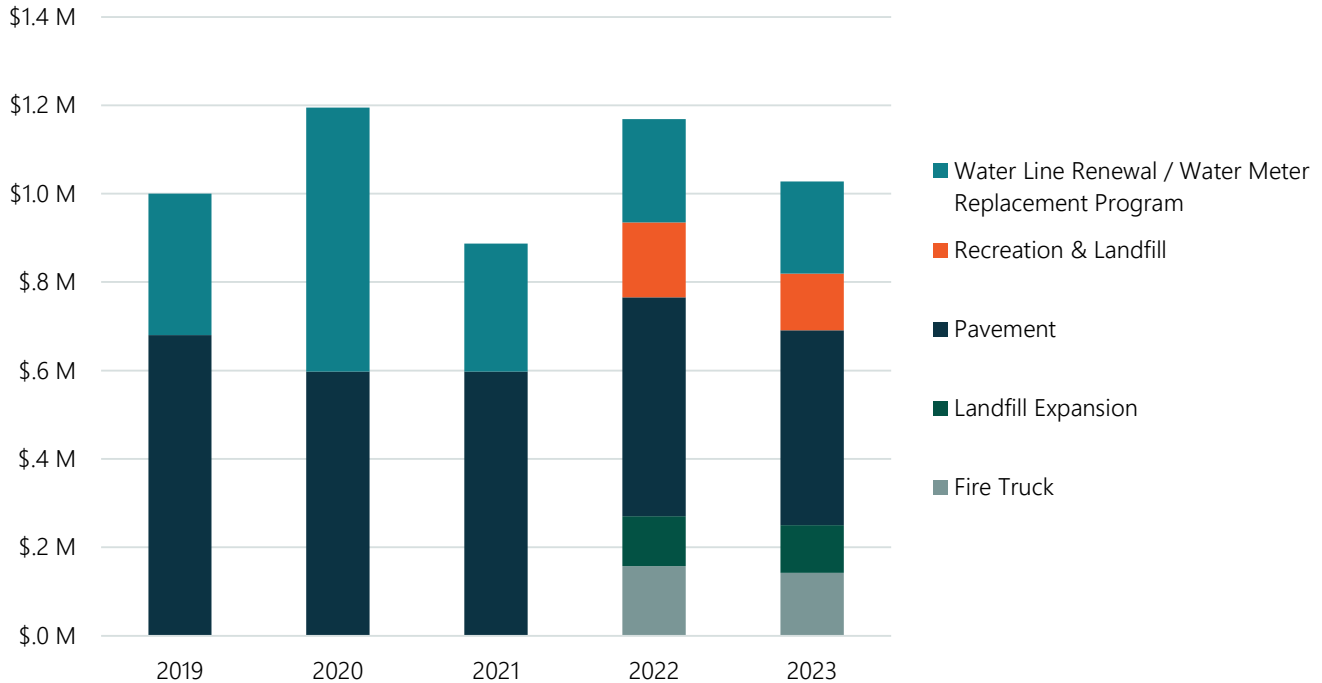
Table 19: Arborg Proposed 2023 Capital Plan, 2024-2028

Item/Purpose	Capital Cost	Proportion of Funding Source			
		Operating	Reserves	Borrowing	Other
Sidewalks	\$310,000	-	\$260,000	-	\$50,000
Icelandic River Walking Trail	150,000	-	75,000	-	75,000
Public Works Equipment	45,000	25,000	20,000	-	-
Public Works Shop Addition	200,000	-	-	200,000	-
Recreation Complex	50,000	50,000	-	-	-
Decorative Lighting (Main St.)	100,000	50,000	-	-	50,000
Paving Projects	2,000,000	-	150,000	1,850,000	-
Water Treatment Plant	1,148,000	-	-	803,600	344,400
Water main Upgrades	891,000	-	-	623,700	267,300
Lift Station Upgrades	182,000	91,000	-	-	91,000
Lagoon Dike Repairs	450,000	-	-	225,000	225,000
<b>Grand Total</b>	<b>\$5,526,000</b>	<b>\$216,000</b>	<b>\$505,000</b>	<b>\$3,702,300</b>	<b>\$1,102,700</b>

## Analysis of Long-Term Debt

Figure 24 presents the closing values of Arborg’s long-term debt for capital expenditures from 2019 to 2023 as indicated in the town’s annual financial plans. Long-term debt was recently at its lowest point in 2021 at \$887,091. From 2019 to 2021, Arborg’s long-term borrowings were earmarked solely for pavement and water and sewer projects. Debt increased to nearly \$1.17 million to fund the purchase of a fire truck (by-law 04-2022) and landfill and recreation projects (by-laws 05-2021 and 10-2022). Arborg’s total annual debt payments in 2023 are estimated to be \$183,228, including \$141,495 in principal and \$41,733 in interest. Arborg’s long-term debts all have maturity dates between 2028 to 2037. Arborg’s debt payments are recovered through an additional mill rate associated with the specific borrowing by-law. In total, an additional 2.65 mills are levied in relation to long-term debt.

Figure 24: Arborg Long-Term Debt Year End Closing Balances



## Performance Measures

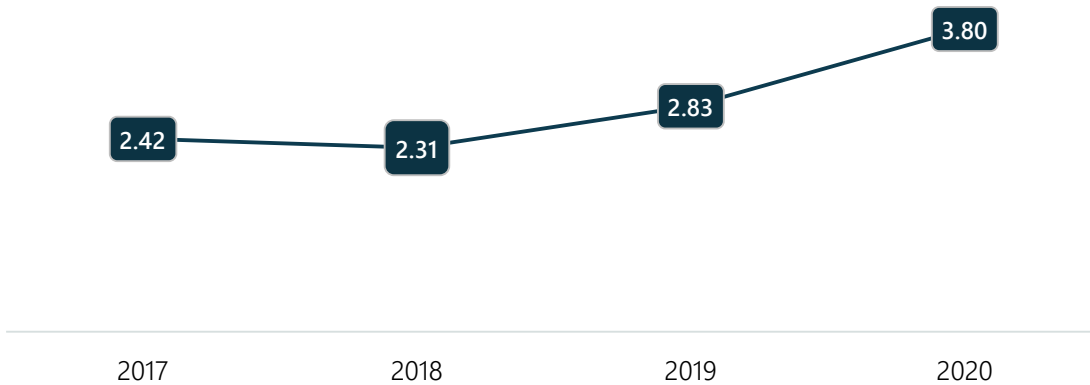
There are multiple performance metrics that should be measured and monitored annually based on the municipality’s financial statements including, but not limited to, current ratio, debt to revenue percentage, the asset sustainability ratio and governance operating costs as a percentage of total costs.

### 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 within 1 year, and current liabilities include accounts payable and long-term debt repayments payable within the next year. Essentially, the current ratio measures the municipality’s ability to meet its short-term obligations using its financial assets on hand. A ratio result of more than 1.0 indicates that the municipality has the means to cover its short-term liabilities.

Figure 25 illustrates Arborg’s current ratio based on its audited financial statements from 2017 to 2020. The current ratio is trending upwards, perpetuating the notion that there are no immediate concerns for Arborg paying its short-term obligations. However, the current ratio will not remain the same throughout the year as these figures were calculated with year-end balances. A significant portion of its tax revenue is received in September each year, resulting in a relatively good cash resources in December and thus presenting well on financial statements due to timing.

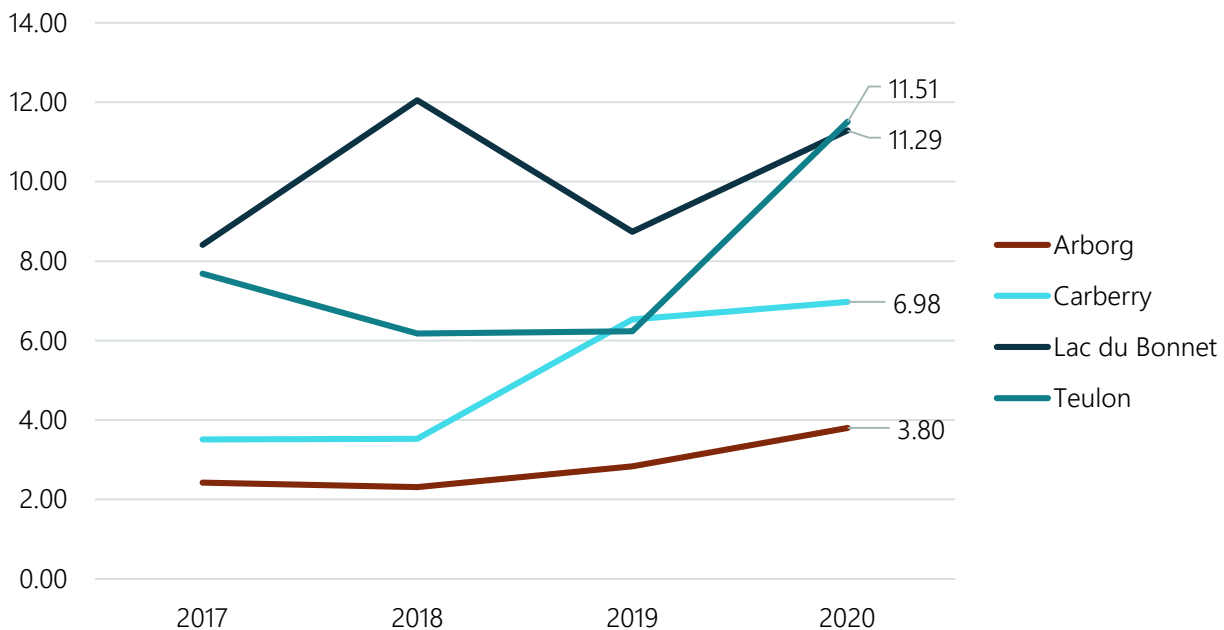
Figure 25: Arborg Current Ratio, 2017-2020



Comparing Arborg to the other municipalities (Figure 26), it is apparent there exists a variance in current ratios. All four municipalities exhibit a trending increase to their current ratios. Arborg's is lower, however, due to a higher deferred revenue balance, whereas the other municipalities report minimal deferred revenue, which reduces the current ratio. Arborg defers the Federal Gas Tax funding each year, which increased liabilities by \$201,682 in 2020. Removing deferred revenue, Arborg's current ratio in 2020 would have been 5.9.

A lower ratio does not necessarily indicate a weakness but rather how each municipality has chosen to leverage debt. The municipalities examined do not demonstrate immediate challenges to servicing short-term obligations.

Figure 26: 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.

From 2017 to 2020, Arborg’s debt to revenue percentage exhibited a decline as its long-term debt balance decreased while revenue exhibited a marginal increase (Figure 27). The long-term debt carried by Arborg is largely attributed to funding renewal projects for the town’s water and sewer utility and paving projects as well as loans for ABPRC and BAR Waste Authority Co-op. Arborg’s unaudited debt to revenue percentage at the end of 2022 would be 42.8%.

Figure 27: Arborg Debt to Revenue Percentage 2017-2020

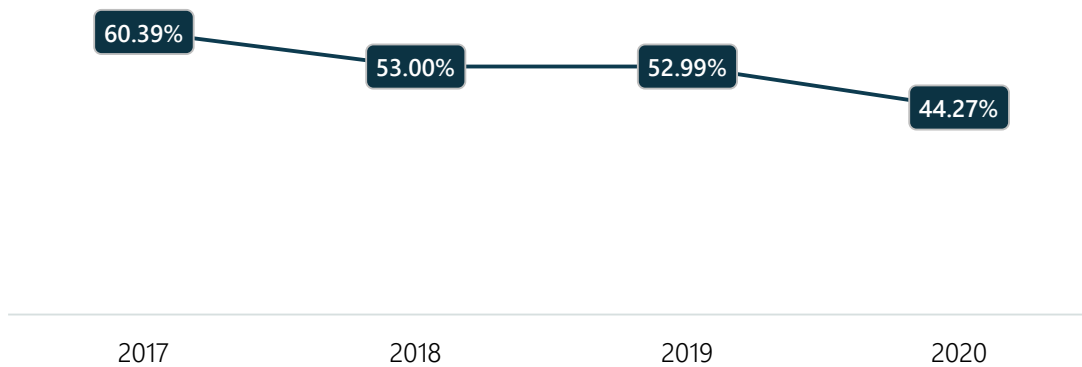
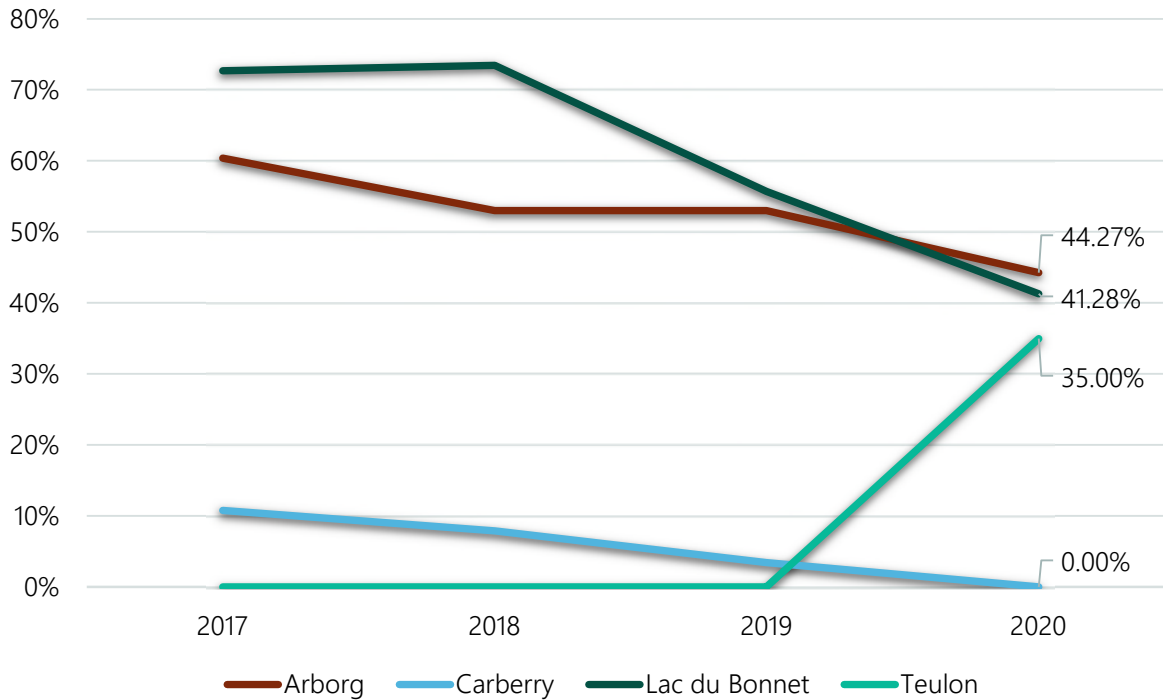


Figure 28 indicates some commonality regarding the use of long-term debt to fund capital expenditures to varying degrees. One observation was that both Arborg and Lac du Bonnet utilized debt funding for water and sewer projects during the examination period but the convergence that occurs in 2019 is largely explained by a larger increase in Lac du Bonnet’s revenue compared to Arborg. Carberry’s use of long-term debt was for the purchase of a tractor with a short maturity date on the loan, resulting in the 0% debt to revenue percentage in 2020. Teulon operated with zero long-term debt until 2020 when it began construction of the Teulon-Rockwood Fire Hall in which \$660,000 of debt financing was required to fund the project as per their financial plan.

Another observation was that Arborg’s long-term debt is attributed to multiple capital projects – water and sewer renewal and paving – as well as other joint municipal programs (i.e., ABPRC and BAR Waste Authority Co-op) and capital lease obligations while the other municipalities only borrowed to fund one capital expenditure each during the examination period.

Figure 28: 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 minimum required to replace existing capital assets.

Figure 29 illustrates Arborg’s asset sustainability ratio from 2017-2020. The trend in the town’s asset sustainability ratio signals that its capital assets are not as actively managed (i.e., maintained, replaced, and/or renewed) throughout their asset lifecycles as required. Stakeholders mentioned in the interviews that their perception on long-term planning for infrastructure and equipment needs is effective but the four-year average ratio of 0.64 indicates there may exist some opportunities to improve. While capital expenditure plans exist and evolve in the town’s annual financial plans, it is unclear whether an asset management plan exists for adequate monitoring of its assets’ conditions to ensure they are in good working order.

Figure 29: Arborg Asset Sustainability Ratio 2017-2020

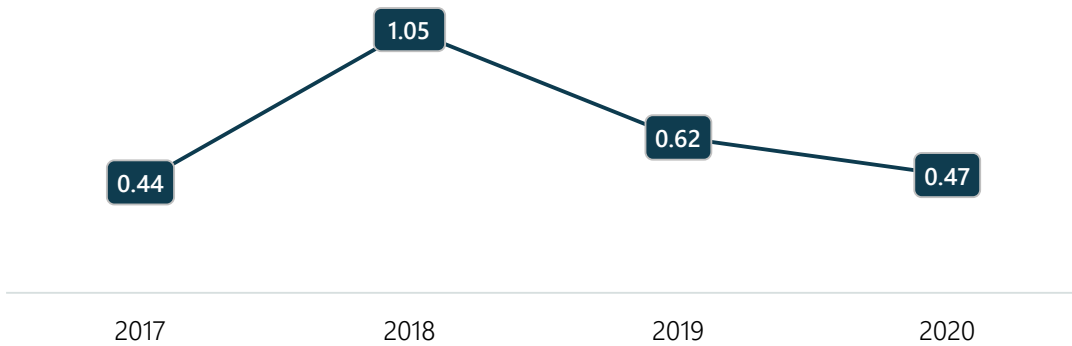
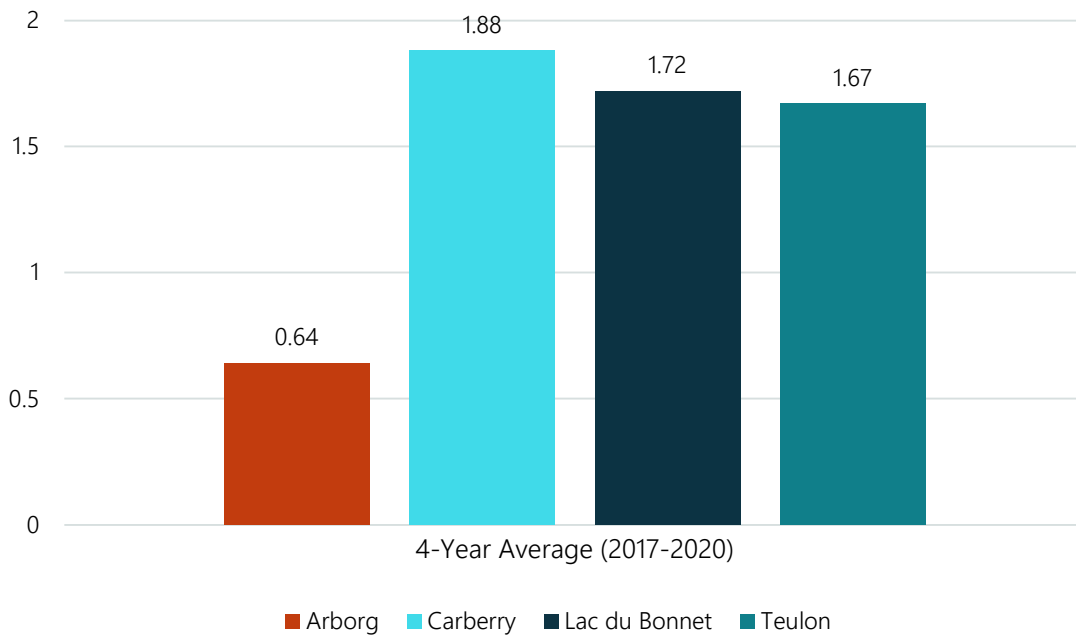


Figure 30 indicates that Arborg’s asset sustainability ratio is trailing in comparison to the three other towns. Depreciation of Arborg’s assets outpaces the amount of capital investment into them which may suggest that its management strategy is not optimized or undefined, whereas the other three appear to have a more proactive perspective on ensuring municipal assets are sufficiently maintained, renewed, or replaced as they near the end of their useful lives.

Figure 30: Asset Sustainability Ratio by Municipality



Arborg’s low ratio in comparison to its peers could also indicate an overly aggressive depreciation rate. Table 20 compares the assumed useful life of various asset categories per accounting policies in each municipality. Arborg’s infrastructure assets have a noticeably lower useful life, which will lead to a higher amortization expense and lower asset sustainability ratio. For example, land improvements for water and sewer services have a 30-year useful life in Arborg, but a range of 30 to 50 years in other municipalities, and road surfaces have a useful life of 20 years in Arborg but range from 20 to 40 years in the other municipalities.

The amortization difference caused by a change in useful life can be substantial. For example, a \$1,000,000 road surface amortized over 20 years would incur a \$50,000 amortization expense per year. Extending the useful life to 30 years the amortization expense would decrease to \$33,333 per year, a reduction of \$16,667. This has no cash impact on the municipality but would increase the municipality’s accumulated surplus. Changing the useful life used in accounting policy should be consistent with the estimated useful life of the underlying asset, which may be determined from historical asset service life data.

Table 20: Capital Asset Useful Life Accounting Policies by Municipality (years)

	Arborg	Carberry	Lac du Bonnet	Teulon
<b>General assets</b>				
Land	Indefinite	Indefinite	Indefinite	Indefinite
Land improvements	10 to 40	10 to 30	10 to 30	Indefinite
Buildings	25 to 40	25 to 40	25 to 40	10 to 40
Leasehold improvements	Life of lease	Life of lease	Life of lease	10 to 40
Motor vehicles	5	5	5	10 to 20
Machinery, equipment and furniture	10	10	10	10 to 25
Maintenance and road construction	15	15	15	10 to 20
Computer hardware and software	4	4	4	4 to 10
<b>Transportation</b>				
Road surface	20	20 to 30	20 to 30	25 to 40
Road grade	40	40	40	40
Bridges	N/A	25 to 50	25 to 50	N/A
Traffic lights and equipment	N/A	10	10	10
<b>Water and Sewer</b>				
Land improvements	30	30 to 50	30 to 50	30 to 50
Underground networks	40 to 50	40 to 60	40 to 60	40 to 60

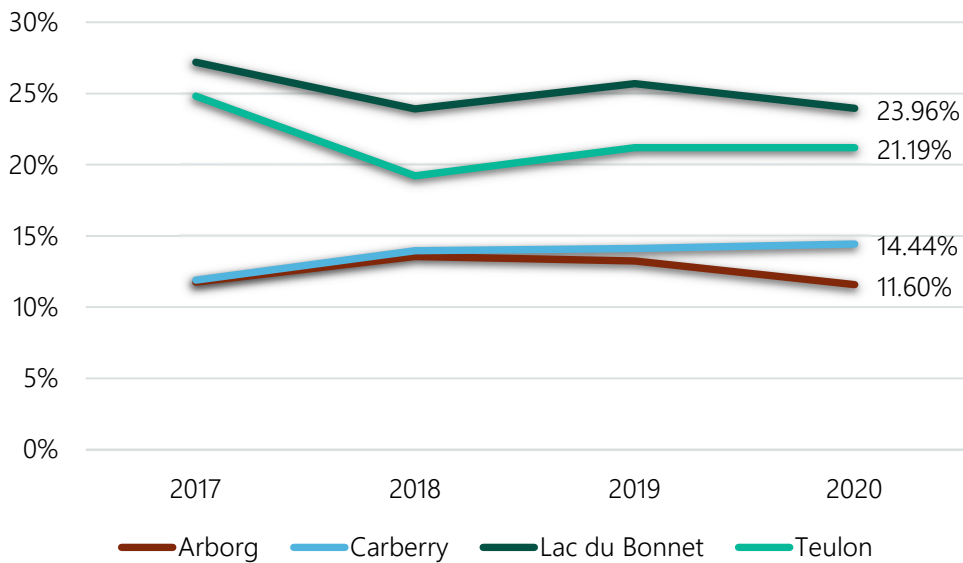
## Operating Costs for Governance and Corporate Management as a Percentage of Total Municipal Costs

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 31 demonstrates that Arborg historically spends the least on governance and corporate management out of the comparators with Carberry following closely, which posits that Arborg’s municipal government is cost

efficient. The average proportion of general government services to total municipal operational costs was 12.52% for Arborg while Lac du Bonnet averaged 25.15% and Teulon with a similar rate of 21.58% throughout the period.

Figure 31: Operating Costs for Governance and Corporate Management as a Percentage of Total Municipal Costs



## General Financial Recommendations

Overall, there are no material concerns impacting Arborg’s financial viability as a self-governing municipality, but there are several minor items that could be amended to improve the town’s future financial planning and reporting:

- **On-time reporting:** Internal financial reporting was seen as a strength of the Administration by most interviewees, but the continued delay of Arborg’s 2021 audited financial statements by the external auditor is a deficiency in financial reporting that impacts the Administration and Council’s decision making. Arborg’s Administration just presented the town’s 2023 budget to Council without knowledge of the auditor’s opinion from 2021. The auditor’s opinion, or recommended statement adjustments, may impact the town’s financial position, or bring to light an issue that Council was unaware of, in which case Council may want to change their course of action which becomes increasingly difficult as time passes. This is particularly important for 2021 results due to the potential material impact of the pandemic on Arborg’s operations.
- **Reserves:** Arborg’s reserves were well funded at the end of 2022 but planned capital expenditures in 2023 will deplete several reserves, and the budgeted operating transfer to reserves for 2023 is the lowest since 2016. It is recommended to increase the transfer to reserve for several reserves:
  - **Utility reserve:** The utility fund is being depleted in 2023 for the watermain renewal and secondary well. The reserve is funding approximately 58% of the \$2 million total cost. Considering Arborg’s estimated useful life for underground water and sewer networks of 40 to 50 years, and assuming a 58% municipal cost share, the minimum reserve required to replace



Arborg's existing \$9 million cost basis of water and sewer assets recorded in their 2020 financial statements ranges from \$127,600 to \$159,500. This is a simplified estimate that assumes the town could replace 1/40<sup>th</sup> of its utility infrastructure each year, which is unlikely to occur. The actual reserve transfer must also consider the expansion of the network and the impact of inflation, which will invariably increase the future cost of utility assets. In 2020 Arborg transferred \$259,620 to the utility replacement fund from general operating. It is recommended that this number be set as a floor for future transfers or increased to \$300,000 to better prepare the town for future utility needs.

- **Building reserve:** The reserve will have less than \$20,000 at the end of 2023. An unforeseen issue with one of the municipal buildings could deplete the account. Planned expenditures would also benefit from an increased reserve. For example, the addition to the public works shop planned for 2027 in the 5-year capital plan is estimated to require \$200,000 in debt, but the debt portion could be reduced by increasing the building reserve in the lead-up to this expenditure. Council should consider increasing the building reserve mill rate to its historical average of 0.64 mills or higher to replenish the account.
- **Equipment reserve:** The equipment reserve will also only have an estimated \$20,000 at the end of 2023 after a \$132,000 withdrawal for the purchase of a \$175,025 trackless tractor and attachments. Recent inflation has driven the cost of heavy-duty machinery and equipment and Arborg should consider the cost of these machines in its equipment reserve transfers. It would take 6.6 years to replicate this year's capital expenditure from the equipment reserve at the current provision. The equipment reserve mill rate appears to have been dropped from the 2023 tax levy, so Council should consider re-introducing this special mill rate at or above its historical average of 0.33 mills.
- **Borrowing:** Arborg should continue its practice of levying a special mill rate for borrowing. The 5-year capital plan includes over \$3.7 million in future capital expenditures expected to be borne by borrowing. Holding all else equal in terms of Arborg's assessment value and current market conditions, borrowing to fund these capital expenditures would require an additional 6.25 in special mill rates<sup>14</sup>. Additional special rate levies will ensure the municipality's capital expenditures are fully funded but will add a heavy cost to Arborg's taxpayers. A more aggressive approach to reserves as noted above could help divert more funding for capital projects away from the relatively higher cost debt financing.
- **Depreciation:** As noted in the asset sustainability ratio section, Arborg's current useful life accounting policy is depreciating the book value of its assets at a faster rate than comparable municipalities. A review of the actual useful life incurred by the town's assets should be conducted to determine if the rates used in the accounting policy are appropriate. For example, the historical time between replacement of specific paved roads should be calculated and compared to the current 20-year useful life used for depreciation purposes. If there are significant variances between the calculated useful lives of assets and the policy rates, Arborg's auditor should be consulted about a change in policy.

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<sup>14</sup> Assumes \$3.7 million borrowed at 5% over 15 years and a taxable property assessment of \$69.2 million.

# Taxation Review

## Taxable Property Assessment

Arborg’s taxable property assessment had a CAGR of 1.6% from 2018 to 2022, growing from \$47 million to \$50 million (Figure 32). Arborg’s average taxable property assessment increase is in the middle of its comparators, with MBR having the largest CAGR of 3.6% and Teulon the lowest of -0.2% over the review period (Figure 33).

Figure 32: Arborg Taxable Property Assessment

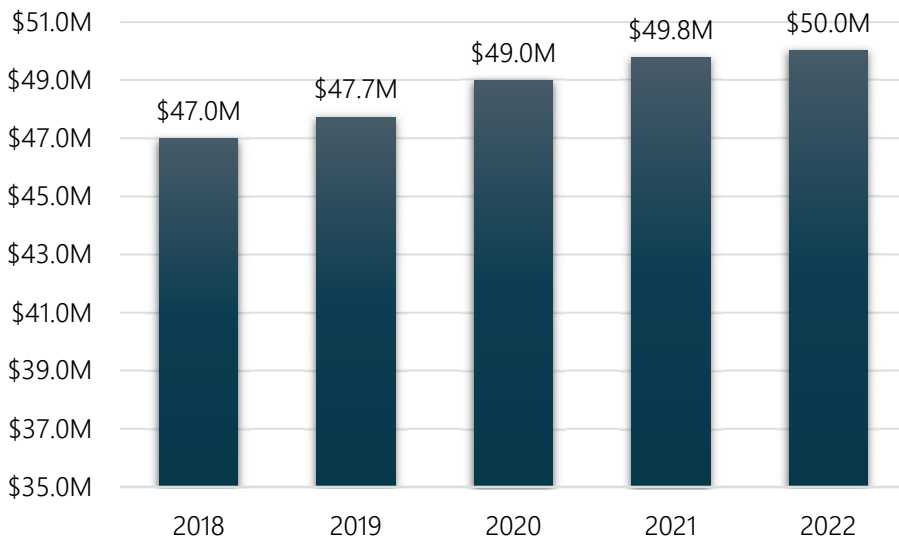
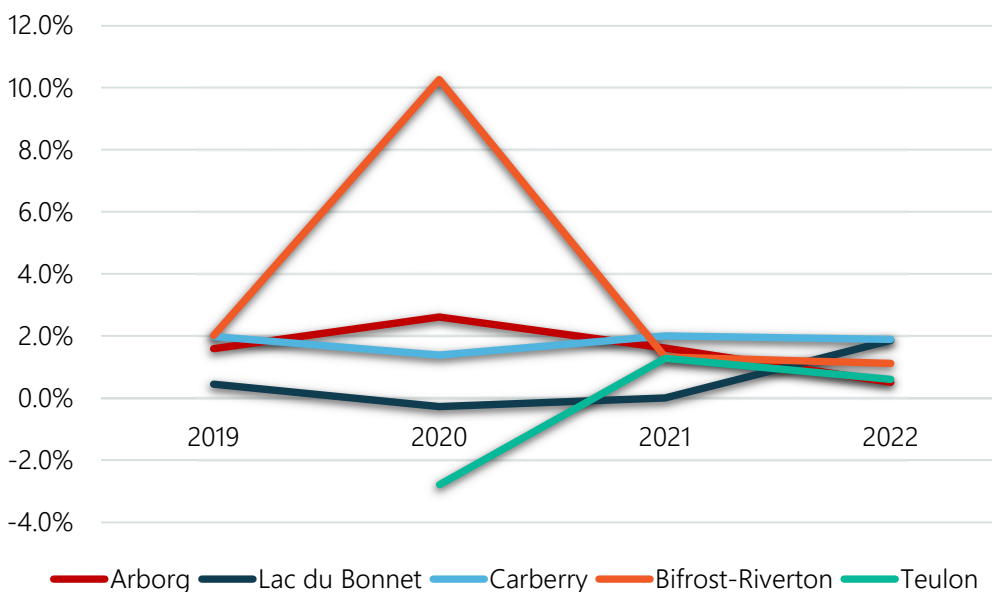


Figure 33: Annual Taxable Property Assessment Growth Rate by Municipality



## Mill Rates

Throughout the interview process, most stakeholder opinions on the current state of Arborg’s taxation system and mill rates are that they are effective and aligned to the town’s needs. Table 21 summarizes Arborg’s municipal mill rates levied from 2019 to 2023.

Table 21: Arborg Municipal Mill Rates 2018-2023

	2019	2020	2021	2022	2023
Debenture Debt Charges	2.510	2.390	1.785	2.634	2.650
Reserve – Equipment Replacement	0.400	0.390	0.187	0.370	-
Reserve – Fire	0.200	0.200	-	0.185	0.173
Reserve – Building	0.980	0.480	0.280	0.554	0.606
Reserve – General	0.100	-	-	-	-
Reserve – Paving	0.490	0.480	0.467	-	0.173
General Municipal	17.120	16.773	18.613	17.589	17.951
<b>Total Municipal Mill Rate</b>	<b>21.800</b>	<b>20.713</b>	<b>21.332</b>	<b>21.332</b>	<b>21.553</b>

Review of the current levied mill rates for the comparison municipalities shows that Arborg has the highest municipal mill rate (Table 22). MBR has also been included for comparison as tax considerations may influence a local individual’s decision to live in Arborg or MBR. In this case, Arborg is 2.07 mills higher than MBR, showing that from a pure taxation basis an individual living in MBR will pay less taxes. However, a tax comparison on mill rates alone ignores the impact of other special taxes and per parcel levies. The following section on effective mill rate attempts to rectify this shortfall by incorporating all municipal tax requirements into a single rate for comparison purposes.

Table 22: Municipal Mill Rate Comparison, 2023

	General Municipal	Reserves	Debt Charges	Special Services	Total Municipal Mill
Arborg (2023)	17.951	0.952	2.65	-	21.553
Lac du Bonnet (2022)	13.075	1.898	2.7	2.769	20.442
Carberry (2023)	13.63	2.531	-	3.848	20.009
Bifrost-Riverton (2022)	18.159	-	1.063	0.26	19.482
Teulon (2023)	16.763	-	0.826	-	17.589

## Effective Mill Rate

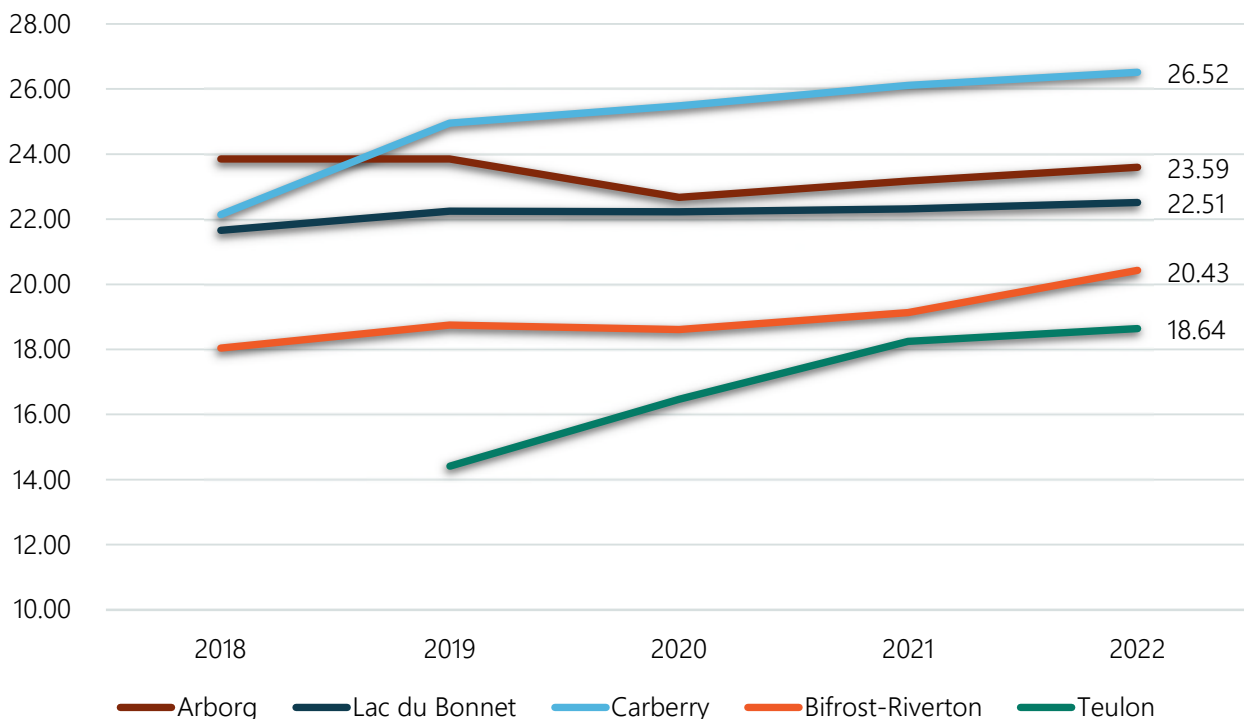
The effective mill rate captures all forms of municipal tax revenues required for a given municipality, regardless of explicit mill or per parcel rates, to examine the overall impact of taxes levied translated into a mill rate. Effective mill rates have been calculated to illustrate the overall impact of municipal taxes on residents of Arborg and the 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 omits education-related rates since those are set by the province and school divisions. The current effective mill rate trend for Arborg and its comparators are illustrated in Figure 34.

While Arborg’s total municipal mill rate was highest, Arborg’s effective mill rate is lower than Carberry. Carberry’s effective mill is higher due to the municipality charging per parcel levies for garbage services, recreation, and sewer. During the 2018 to 2022 period there was a general trend upwards in most municipalities, with only Arborg remaining relatively flat.

Figure 34: Effective Municipal Mill Rate, 2018-2022



# Conclusions

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There are multiple detailed recommendations throughout this report that when implemented may have a material impact on Arborg's fiscal strength. However, the main recurring theme that was observed across multiple departments and shared services is the need for improved long-term capital planning.

## Long-Term Capital Planning

Arborg's capital reserves have benefitted from several years of relatively low capital expenditures. In these years the lower provisions to capital reserves were appropriate due to flush reserve balances and minimal near-term capital requirements. However, the Town's planned capital expenditures in 2023 are the highest in the reviewed period and will reduce the reserves by over \$1.8 million (approximately 70% of existing reserves). To continue provisioning the same amounts from the 2022 budget for reserves after this draw-down will hinder future infrastructure replacement and force the Town to borrow to fund immediate capital projects.

All reserve provisions should be tied to project funding goals set in the long-term capital plans of the municipality and its shared services. Each shared service should be presenting a 5- to 10-year capital plan to Council that recommends the necessary reserve provision in each year to fund its capital needs. Council should be communicating to the shared services its targeted funding share (reserves, borrowing, general operating funds, other) for capital items so that the capital plans can include a budgeted cash flow for the reserve over the tenure of the plan.

Recommendations for increased reserves have been made in reference to the ABFES, ABPRC, and BAR Waste, but the need for a long-term capital plan is most critical in the ABPRC. The Recreation Master Plan from 2021 identified \$1.2 million in equipment replacement at the ABPRC but it appears there has not been any significant action taken to meet this investment need, aside from a \$10,000 recreation reserve provision budgeted for 2024. Multiple Councillors and staff stated their worries that the old ice plant equipment could breakdown which would cause the arena to shut down, create a major disruption to community recreation services, and create a material unexpected financial cost to be shared by both municipalities. The first step in proactively attacking the ABPRC's capital needs is to have the Commissions formalize a long-term capital plan to present to both Councils.

## Commendations

Overall, the fiscal review found that Arborg's current fiscal operations are well managed. The municipality weathered the COVID-19 pandemic without significant negative impact on the Town's financial position or the implementation of any significant austerity measures.

This report focused on identifying deficiencies and areas of improvement, but it also identified multiple areas of fiscal strength. Arborg's Council and Administration should be commended for the following practices and results:

- Discussions with Council Members and staff reveal an improving relationship between Arborg and MBR. MBR's 2022 fiscal review detailed multiple areas of contention between the municipalities, including

their initial request to drop out of the ABPRC in 2022 which they decided against to maintain the relationship between the municipalities. Council members in Arborg are optimistic that collaboration between the municipalities will continue to improve in the coming years.

- Arborg’s Administration is viewed favourably by all Members of Council, with multiple Councillors commending the CAO’s knowledge, experience, and internal reporting efforts in their interviews, and no significant areas for administrative improvement identified by Councillors.
- Arborg’s Council compensation is near the municipal average of the comparison municipalities; members of Council do not appear to be over- or under-compensated for their contributions relative to other municipalities.
- The ABFES’s actual operating expenditures have not increased above the level set in 2018.
- The ABPRC’s first volunteer recognition gala was a success in 2022, with feedback being that it helped increase volunteer engagement while simultaneously raising money for the ABPRC.
- The ABPRC’s operating surplus grew significantly in 2022, partially due to public engagement in recreation programming after the pandemic lockdown periods.
- BAR Waste’s expansion was successful, and the co-operative generated an operating surplus in 2022. Arborg’s Councillors generally feel that the cost sharing agreement with MBR is equitable and that the organization is meeting its value proposition.
- Arborg’s accumulated surplus grew from \$8.5 million in 2017 to \$9.6 million in 2020 (audited), with the Town generating an operating surplus each year and growing financial assets from \$1.5 million to \$2.8 million in the same period.
- At the end of 2022 reserve funds had increased to their highest amount in the reviewed period (\$2.6 million). The high reserve balance will help the Town to make necessary capital investments in 2023.
- Arborg reduced its debt from 60.4% of revenue in 2017 to 44.27% of revenue in 2020.
- Arborg has retained a relatively consistent effective municipal mill rate, changing from 23.85 mills in 2018 to 23.59 mills in 2022.

## Summary of Recommendations

Table 23 summarizes the detailed recommendations provided throughout the body of this report.

*Table 23: Summary of Recommendations*

Section	Subsection	Recommendation
<b>Governance</b>		<ul style="list-style-type: none"> <li>• Upload all by-laws passed by Council to the Town website.</li> <li>• Keep the administrative duties related to the ABFES with a single Municipality rather than having a 5-year administrative hand-off period.</li> <li>• Prioritize the update to the 20-year-old ABPRC organizational by-law to establish the new board structure and outline the roles and reporting lines of the senior management team.</li> </ul>

Section	Subsection	Recommendation
Shared Services	Fire Services	<ul style="list-style-type: none"> <li>• Consider consolidating the ABFES and the Rbfd into a single regional fire department to reduce leadership wages, administrative costs, training costs, and capital costs through integration of shared resources.</li> <li>• Consider an equipment sharing agreement in-lieu of a regional fire department where the ABFES and the Rbfd reimburse each other for the use of specialty equipment on a case-by-case basis, rather than having both fire departments fully equipped for all scenarios.</li> <li>• Reduce the ABFES's operating budget to align with its actual operational costs and increase the fire equipment reserve amount by an equal amount.</li> <li>• Maintain the existing municipal cost sharing agreement for the ABFES.</li> <li>• Complete a comparative analysis of ABFES's mutual aid call volume to other Fire Departments in Manitoba. If deemed high in comparison, withdrawing from the North Interlake Mutual Aid District and/or becoming a fee-for-service fire department may be warranted.</li> </ul>
Shared Services	Parks & Recreation	<ul style="list-style-type: none"> <li>• The ABPRC needs a long-term capital plan. The ABPRC board should formalize a 10-year capital plan detailing:               <ul style="list-style-type: none"> <li>◦ Equipment replacement priorities</li> <li>◦ New program capital priorities</li> <li>◦ A capital funding plan</li> </ul> </li> <li>• Arborg's recreation reserve provision should be increased above the \$10,000 budgeted for 2024. The amount of the increase should be aligned with the ABPRC's long-term capital plan.</li> <li>• The ABPRC and the RBPRC should work to collaborate on shared programs and communications to reduce cost and make recreation programming more staff efficient.</li> <li>• A long-term regional recreation plan should be established between the ABPRC and the RBPRC that addresses options for the consolidation of facilities at the end of the existing facilities' useful lives, or for pooling resources for the creation of new facilities.</li> </ul>
Shared Services	B.A.R. Waste Authority	<ul style="list-style-type: none"> <li>• The informal revenue and cost sharing agreement between MBR and Arborg should be formalized in a by-law or contract. The agreement should outline:               <ul style="list-style-type: none"> <li>◦ Method of cost-sharing calculation (dumping rates)</li> </ul> </li> </ul>

Section	Subsection	Recommendation
		<ul style="list-style-type: none"> <li>○ Method of distributing operating surpluses or funding deficits</li> <li>○ The amount each municipality will commit to a capital reserve</li> <li>• Establish a capital reserve for future landfill capital needs, such as future expansion and/or closure and post-closure care costs.</li> </ul>
<b>Shared Services</b>	<b>Water &amp; Sewer</b>	<ul style="list-style-type: none"> <li>• Conduct the tariff rate review study and submit the adjustment application to PUB as Arborg’s rates are nearly 4 years past due for revision.</li> <li>• Consider revising rates more frequently. Other municipalities revise their rates every 4-5 years.</li> <li>• Renegotiate the shared services agreement for water and sewer services to MBR, considering the change in municipal priorities since the amalgamation of Bifrost and Riverton in 2015.</li> <li>• Consider the establishment of a regional water co-operative for the North Interlake Region. This type of organization could be modelled after the Pembina Valley Water Co-operative (PVWC).</li> </ul>
<b>Industrial Park</b>		<ul style="list-style-type: none"> <li>• Water infrastructure delays are holding up further development in the industrial park. Arborg and MBR should consider the following options to spur the development of the industrial park and the resulting economic growth of the region:               <ul style="list-style-type: none"> <li>○ Arborg could annex the industrial park lands. This would require a negotiation and compensation to MBR for the loss of property tax revenue.</li> </ul> </li> <li>• Arborg and MBR could renegotiate the water and sewer agreement to include a provision for joint investment in the industrial park lands, with a higher share of future property tax revenue given to Arborg in exchange for additional capital infrastructure investment.</li> </ul>
<b>Development Incentive Comparison</b>		<ul style="list-style-type: none"> <li>• Arborg should engage with property developers and stakeholders to gather feedback on the perceived effectiveness of its development incentive program.</li> </ul>
<b>Fiscal Review</b>		<ul style="list-style-type: none"> <li>• The delayed audit completion has delayed Arborg’s ability to report financial results for 2021. The CAO should have a serious discussion with the Town’s auditor and work to implement future control measures to ensure future audited financial statements are received in a timely manner.</li> </ul>



Section	Subsection	Recommendation
		<ul style="list-style-type: none"> <li>• Planned capital expenditures will deplete or significantly reduce multiple reserves. It is recommended Arborg increase reserve provisions or special area levies for the following reserves:               <ul style="list-style-type: none"> <li>◦ Utility reserve – recommend \$300,000 per year</li> <li>◦ Building reserve – increase to align with 5-year capital plan requirements</li> <li>◦ Equipment reserve – increase the special area levy back above the historical average of 0.33 mills</li> </ul> </li> <li>• Continue to levy a special mill rate for all borrowing.</li> <li>• Conduct a review of the Town’s accounting policy for depreciation. Comparatively, Arborg is depreciating multiple asset classes more aggressively than other municipalities, such as road surfaces, land improvements, and underground networks.</li> </ul>

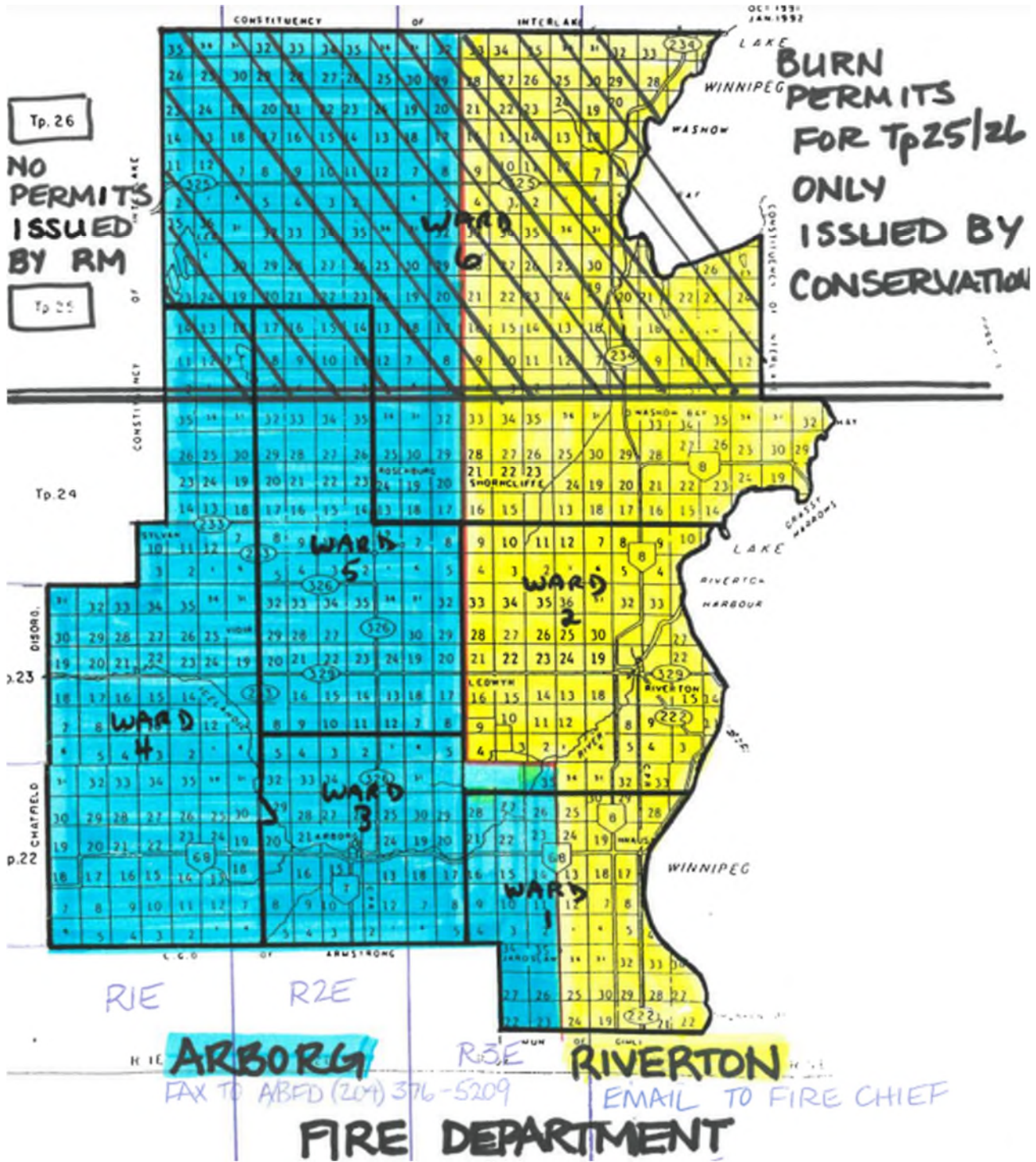
# Appendix A – Documentation Review

Table 24 lists each by-law, policy, and other Arborg 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.

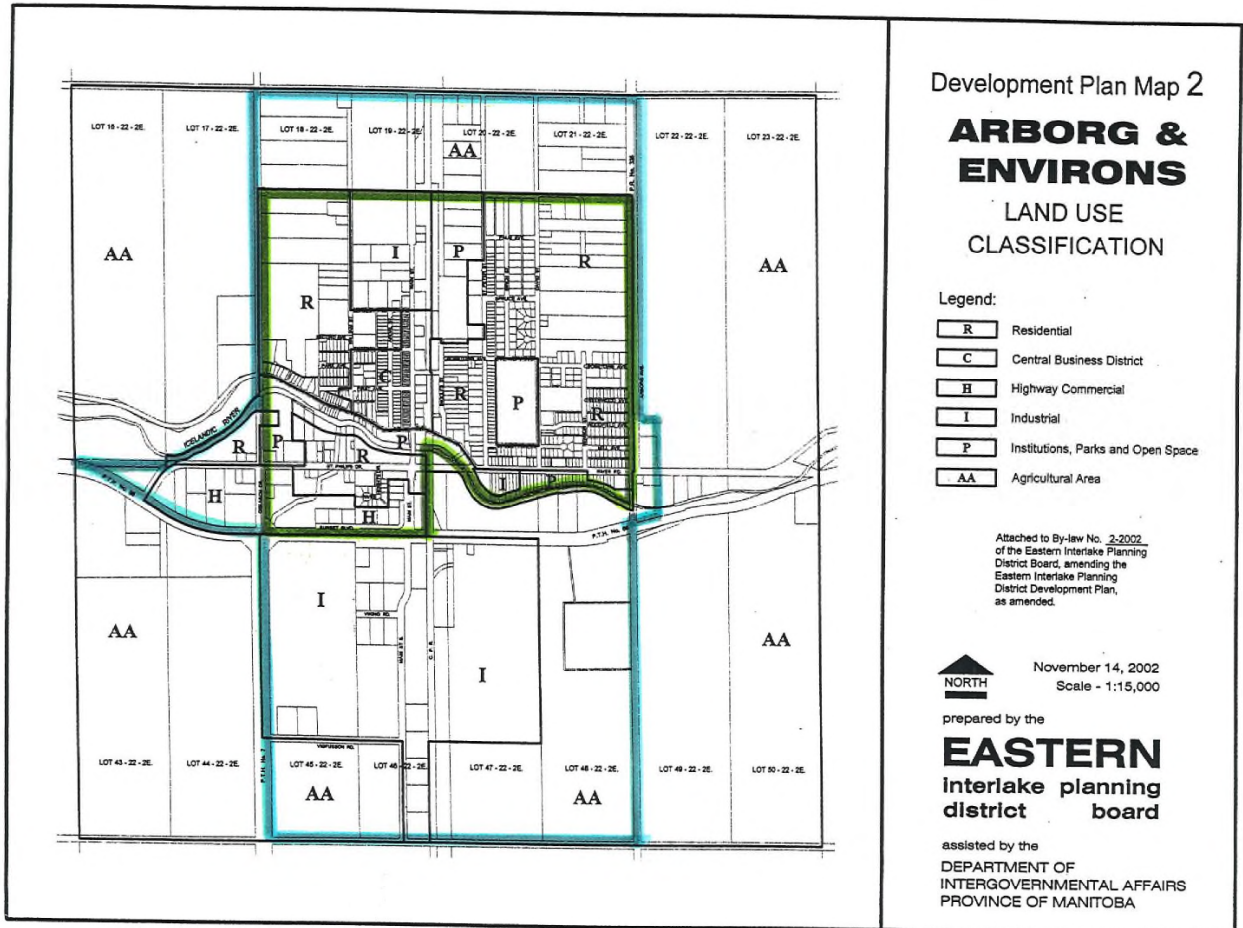
Table 24: Arborg Documentation Reviewed for this Report

By-Laws	Policies & Other Reports
<ul style="list-style-type: none"> <li>• 7-2018: Organizational By-law</li> <li>• 6-2003: Establishment of the ABPRC (not online)</li> <li>• 5-2017: Establishment of the ABFES (not online)</li> <li>• 8-2008: Agreement with MBR for Sewer and Water Services (not online)</li> <li>• 4-2015: Water and Sewer Rates</li> <li>• 15-2002: Animal Control</li> <li>• 3-2019: Business Licensing Fees</li> <li>• 4-2019: Lotteries and Raffles Fees</li> <li>• 9-2019: Development Incentive Program</li> <li>• 5-2021: Borrowing By-Law for Recreation &amp; Landfill (not online)</li> <li>• 4-2022: Borrowing By-Law for Fire Truck (not online)</li> <li>• 5-2022: Recreation &amp; Cultural Reserve Fund (not online)</li> <li>• 8-2022: Borrowing By-Law for Landfill Expansion (not online)</li> <li>• 11-2022: Mayor &amp; Council Indemnity By-Law</li> <li>• 6-2011: Arborg Zoning By-Law</li> <li>• MBR: 4-2011: Zoning By-Law</li> <li>• MBR: 1-2010: Borrowing By-Law for the extension of sewer services</li> </ul>	<ul style="list-style-type: none"> <li>• HR-01: Employee Policy &amp; Procedures</li> <li>• 3-2013: Municipal Private Works Policy</li> <li>• Town of Arborg Public Water System Annual Report 2022</li> <li>• Arborg Bifrost-Riverton Recreation Master Plan</li> <li>• Arborg general office price list</li> <li>• Arborg Consolidated Financial Statements 2015 - 2020</li> <li>• Tax Levy and Financial Plan Documents:               <ul style="list-style-type: none"> <li>○ Arborg 2015 – 2023</li> <li>○ Bifrost Riverton, Carberry, Teulon, Town of Lac Du Bonnet 2018 – 2023 (where complete)</li> </ul> </li> </ul>

# Appendix B – Emergency Services Districts

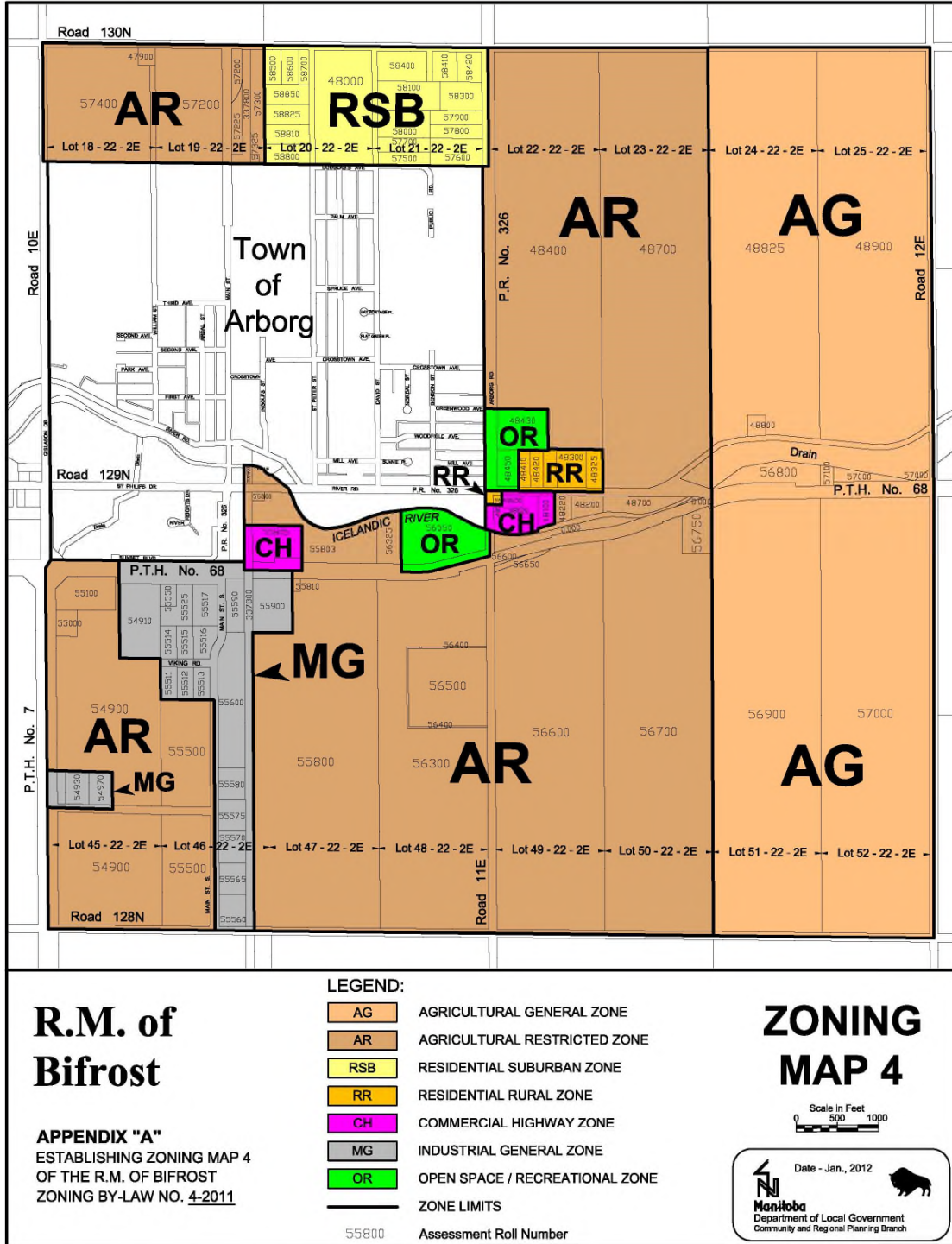


# Appendix C – Shared Water and Sewer Services Area





# Appendix D – The RM of Bifrost zoning



# Appendix E – The Industrial Park

## Permitted and Conditional Uses

Permitted Uses	Conditional Uses
Accessory Use, Building and Structure	Automobile Wrecking or, Junk or Scrap Yard
Advertising Signs	Bulk Oil or Chemical Storage Area
Agricultural Support Industry	Manufacturing - Heavy
Auto Body Repair Shop	Recreational Facility
Automobile Sales or Storage	Retail Store, Service or Office
Contractor's Establishment	
Gas Bar Pound, or Taxidermist	
Heavy Equipment Sales or Storage Area	
Lumber Yard	
Outdoor Market	
Manufacturing - Light	
Restaurant, including Drive Through/In Restaurant	
Service Station	
Storage, outdoors when the main use on the lot	
Veterinary Clinic, Exterminators, Kennel or Animal	
Wholesale Establishment, including a Warehouse	

## Industrial Park Property Listing

Slot number	Resident	Area, acres	Assessed Property Value 2021, \$			Property Value Change since 2008, \$		
			Land	Building	Total	Land	Building	Total
54910	not identified	10.17	89,900	0	89,900	32,200	0	32200
54930	not identified	2.62	37,600	0	37,600	11,500	0	11500
54970	not identified	2.62	37,600	0	37,600	11,500	0	11500
55511	not identified	1.84	46,800	0	46,800	23,300	0	23300
55512	not identified	1.84	39,000	0	39,000	15,500	0	15500
55513	Crop Production Services (Canada) Inc.	1.82	38,900	362,000	400,900	15,500	16,100	31,600
55514	not identified	1.84	39,000	0	39,000	15,500	0	15500
55515	not identified	1.84	39,000	0	39,000	15,500	0	15500
55516	Nor-Tech Mechanical (Ventrix Heating & Ventilation)	2.3	42,600	458,300	500,900	17,000	458,300	475,300
55517	SLB Investments Inc. (Viking Motors)	3.46	67,000	1,305,000	1,372,000	30,800	408,300	439,100
55525	SLB Investments Inc.	3.36	66,400	309,400	375,800	30,700	70,600	101,300
55550	Petro-Canada Inc.	1.24	40,800	381,400	422,200	15,600	121,800	137,400
55560	7080507 Manitoba Ltd. (Midlake Specialty Food Products, inc.)	2.9	47,300	1,288,800	1,336,100	19,300	1,032,000	1,051,300
55565	7080507 Manitoba Ltd.	2.88	23,600	0	23,600	9,600	0	9,600
55570	Redi-Form Cons. Ltd	2.88	47,200	164,700	211,900	19,300	117,100	136,400
55575	V.M. Holdings (1991) Ltd.	2.88	23,600	0	23,600	9,600	0	9,600
55580	V.M. Holdings (1991) Ltd.	2.88	23,600	0	23,600	9,600	0	9,600

Slot number	Resident	Area, acres	Assessed Property Value 2021, \$			Property Value Change since 2008, \$		
			2008	2018	2021	2008	2018	2021
55590	7219351 Manitoba Ltd	1.92	50,900	686,200	737,100	15,200	44,300	59,500
55600	Crop Production Services (Canada) Inc. (Nutrien Ag Solutions)	11.94	76,200	519,300	595,500	18,800	302,900	321,700
55900	Maple Leaf Agri-Farms Inc	7.18	79,400	850,800	930,200	28,700	280,800	309,500
337800	not identified	12.64	34,100	0	34,100	17,500	(144,100)	(126,600)
<b>Total:</b>		<b>83.05</b>	<b>990,500</b>	<b>6,325,900</b>	<b>7,316,400</b>	<b>382,200</b>	<b>2,708,100</b>	<b>3,090,300</b>





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