

Town of Drumheller COUNCIL MEETING MINUTES

December 20, 2010 at 4:30 PM
Council Chamber, Town Hall
703-2nd Ave. West, Drumheller, Alberta



PRESENT:

MAYOR:

Terry Yemen

COUNCIL:

Andrew Berdahl

Jay Garbutt

Lisa Hansen-Zacharuk

Sharel Shoff

Doug Stanford

CHIEF ADMINISTRATIVE OFFICER/ENGINEER:

Ray Romanetz

DIRECTOR OF INFRASTRUCTURE SERVICES:

Allan Kendrick

DIRECTOR OF CORPORATE SERVICES:

Michael Roy

DIRECTOR OF COMMUNITY SERVICES:

Paul Salvatore

RECORDING SECRETARY:

Linda Handy

ABSENT: Councillor Tom Zariski

1.0 CALL TO ORDER

Councillor Sharel Shoff was sworn in as Deputy Mayor for the months of January and February, 2011.

2.0 MAYOR'S OPENING REMARK

2.1 Badlands Community Facility Donation from Kneehill County
Mayor Terry Yemen announced that Kneehill County Council has agreed to contribute \$100,000 to the Town of Drumheller, as a one-time capital contribution to the Badlands Community Facility project.

2.2 Cancellation of December 27th Committee Meeting
MO2010.175 Garbutt, Shoff moved to cancel the Council Committee

Meeting of December 27th, 2010. Carried unanimously.

3.0 PUBLIC HEARING

4.0 ADOPTION OF AGENDA

MO2010.176 Garbutt, Berdahl moved to adopt the agenda as presented. Carried unanimously.

5.0 MINUTES

5.1. ADOPTION OF REGULAR COUNCIL MEETING MINUTES

5.1.1 Regular Council Meeting Minutes - December 6, 2010

MO2010.177 Berdahl, Shoff moved to adopt the regular Council meeting minutes of December 6, 2010 as presented. Carried unanimously.

5.2. MINUTES OF MEETING PRESENTED FOR INFORMATION

5.3. BUSINESS ARISING FROM THE MINUTES

6.0 DELEGATIONS

6.1 Drumheller Institution - Mike Hanly, Warden

M. Hanly provided an overview of the Drumheller Institution's activities since its opening in 1967:

- Residents and Member of Parliament for Drumheller lobbied the government for economy stability and they were successful in securing the Drumheller location for the Institution;

- For over 40 years the Institution has fulfilled the objective that the government asked: to provide employment for the area - in some cases the Institution has had third generation of staff. There is a payroll of \$29M and also a huge number of the Institution's pensioners reside here in Drumheller;

- Majority of the staff reside in Drumheller and most are active volunteers in the community with sports and other organizations.

- Developed strong partnerships within the community with one of the strongest and most beneficial being with the Town of Drumheller - some of their recent work includes: cemetery gates, lamp standards, Olympic Torch Relay, trails and pathways, recycling program (5-6 inmates daily) and the Affordable Housing Project (savings for the Town in excess of \$100,000). On an average day, 10-12 inmates work at various inmate work programs within the community - construction, lawn maintenance, churches (shovel snow from their sidewalks), schools (worked with the

Titans on flooring for the trailers), hospital, Nacmine ice rink shack, Passion Play ticket booth, Ag Society, and other projects where the materials are donated and the inmates provide the labour.

- Objective is to promote public safety by returning inmates to the community in a safe manner.
- Current inmate population is under 600 (incarcerated for less than 3 years). Two new units with completion date of 2012 and 2013. Construction to start in the spring. 96 new beds for medium and 56 new beds for minimum. There will be economic spin offs for the Town. Staff will increase - 40 new staff (majority being correctional officers).

M. Hanley concluded by stating that the Institution is run well and the working relationship with the Town will continue to have rewards and benefits. He stated that he looks forward to working with Council.

Questions from Council:

Councillor D. Stanford asked the life expectancy of the current prison. M. Hanly stated that the current Institution is starting to see some rough areas and is in need of renovations and rehauling of some of the units. He stated that the government has made investments with the location here in Drumheller which suggests keeping the facility in this area.

Councillor J. Garbutt recognized the Institution's contribution towards the mill work at the Badlands Community Facility and how these costs will be kept down for the tax payers. He thanked the Institution for their involvement in this regard.

Councillor A. Berdahl asked what the Town can do to offer more support for the families moving here. M. Hanly stated that Drumheller is competing with other communities for jobs, such as Bowden, and the competition will increase so anything that brings families here, such as the new facility, good health care and housing are all beneficial in the decision making process.

Council thanked M. Hanly for his presentation.

6.2 2009 Financial Statement – Gitzel Krejci Dand Peterson

Eric Peterson provided the following overview:

- The 2009 financial statements have a different appearance than 2008 due to new rules established by the Public Sector Accounting Board. He explained that the purchase of capital assets is no longer recorded as expenses but now shows the amortization and depreciation of assets. He explained that staff had to review the historical assets' records and estimate their useful life and calculate their amortization, such as roads, pipes, gravel and other infrastructure. The information was obtained from the GIS Department, Town employees and outside engineering firms. Council's budget and financial results are somewhat different from each other. The published results are a requirement from the

PSAB. He explained that the assets are paid for in year one but amortized over 40 years - thus the accumulated surplus will look higher than previous years.

- Page 1 Auditors' Report - describes what was carried out during the audit and the opinion of the auditors which states that the statements are a fair representation of the financial position of the Town of Drumheller. The letter is dated November 4th, 2010 and the auditors have looked at subsequent events from 2009 to 2010 for any transactions which may have had an effect on 2009 financial statements. He stated that the reason for the lateness is the significant time it took to gather information for the new Tangible Capital Assets Program.

- Page 2 Assets - Accumulated surplus cash less debts (do not get paid until 2010) plus the hard assets - total of \$114,702,339. Breakdown summary as follows: Cash and short term investments \$6.5M (cash balance changes as provincial grants come in and these dollars are spent). Investments are \$2.5M. Deferred revenue grants and other dollars received by the end of the year but not yet expensed is approximately \$8.5M. Net financial assets (Debt) is \$3.3M; non financial assets is \$111.3M.

- Page 3 Consolidated Statement of Operations (revenues and expenses by type for the 12 months). Add surplus at the beginning of the year \$103,898,131 - result surplus at the end of the year \$114,702,339. Revenue - Net municipal taxes raised is \$6,442,842; Expenses - Amortization of Tangible Capital Assets (non cash expense and has been allocated to the different functions is \$3,015,395 (note 10). Excess (shortfall) of revenue over expenses is (\$1M) plus government grants of \$11M to get excess of revenue at \$10M.

Page 4 Consolidated Statement of Changes in Net Financial Assets (Debt) - excess of revenue over expenses and adds and removes tangible assets for a net total of (\$2.4M) which is added to the balance at the beginning of the year of \$5.7M which gives the balance at the end of the year \$3.3M.

Page 5 Consolidated Statement of Cash Flows - Excess of revenues over expenses is \$10M with adjustments for items that do not affect cash (shows what other cash was used in buying and selling assets and financing debt). \$8M brought in from operations. Total change in cash of -\$7.5M plus \$14M on hand at the beginning of the year for the end of year total of \$6,543,174.

Page 6 Schedule of Tangible Capital Assets (cost at the beginning plus new additions less assets disposed of for a total of \$171M less accumulated amortization \$60M for a net book value of \$110M).

Page 7 Schedule of Breakdown of Property and Other Taxes (taxes levied less the portions of requisitions) for the net amount for municipal purposes of \$6M.

Page 8 Schedule of Breakdown of Government Grants for a total of \$13M.

Page 9 Notes to the Financial Statements - accounting policies being used.

E. Peterson concluded his report by stating that the Town has done a good job of keeping expenses to a minimum, with adequate cash flow and low debt. He referred to the Management Letter and stated it is an auditor's responsibility to bring to Council's attention any matter relating to financial affairs for the municipality.

Questions from Council:

Councillor S. Shoff asked if there was any evidence that the Town owes \$1.8M to Kneehill Regional Water Services Commission. E. Peterson stated that in 2005, the Town of Drumheller signed an agreement for \$2.4M in capital costs which KRWSC agreed to pay \$1.2M and \$600,000 - the agreement was changed to be collected over the next 25 years - surcharge on the water rates. The town received \$1.8M but not recorded as revenue because the Town has a commitment to provide water over 25 years and it is amortized over this period.

Councillor J. Garbutt asked if one takes amortization costs out of revenue and expenses, the overall budget was in deficit. E. Peterson explained that this is the case because of government transfers - if one takes out the amortization the single largest area of the budget was \$1.4M in transportation services. M. Roy explained that some areas that used to be treated as capital are now operations and are not included in the tangible capital asset area, such as the Street Improvement Program. There needs to be some fine tuning between budgeting and reporting. R. Romanetz explained that because of numbers in this financial statement compared to last year, in terms of general side there was a surplus this year - on the utilities side there was a small deficit. Due to the new reporting requirements, there needs to be a comfort level that the numbers on one document balance with other documents. Councillor J. Garbutt stated that the way broken out here is not necessarily the way it is spent - 2010 significant grant dollars and was spent in 2009.

Councillor J. Garbutt asked how the rates on investments are negotiated. M. Roy stated that short term investments (five year term) are held with the banks and the long term investments are held with two brokers, BMO and CIBC Wood Gundy.

Councillor J. Garbutt asked the reason for the significant increase in the CAO's salary. E. Peterson stated that last year's Management Letter referred to the accumulating vacation pay liabilities and he believes that it has been rectified. M. Roy stated that Council passed a motion as a result of the recommendation in the Management Letter to payout all accumulated vacation pay for all employees. He further stated that Council requested that the existing policy be enforced for all staff and upon review for 2009 vacation, all staff should be in compliance by year end.

MO2010.178 Berdahl, Shoff moved that Council approve the 2009 audited financial statements as presented. Carried unanimously.

Mayor Yemen thanked E. Peterson for his presentation.

Mayor Yemen recessed the meeting at 5:45 PM.
Mayor Yemen reconvened the meeting at 5:50 PM.

7.0 COMMITTEE OF THE WHOLE RECOMMENDATIONS

8.0 REQUEST FOR DECISION REPORTS

8.1. CAO

8.1.1 Ski Hill Proposal

R. Romanetz advised that the proposal dated December 15, 2010 has been reviewed by Sharon Clark, Solicitor and she was in attendance to provide an overview of the facts to date. S. Clark's comments are summarized below:

- An Agreement of Intent was entered into by the Town of Drumheller, the Badlands Ski Hill Ltd. and the Drumheller Valley Ski Club (1997) dated October 1, 2009 which relates to the sale of the land and obligations whereby the Town had agreed to rescind its earlier Notice of Cancellation and Termination with the Drumheller Valley Ski Club (the Association) in order to ensure the viability and ongoing success of the ski hill operation by entering into three-way agreement with Mr. Z. Amerl and the Ski Club. Upon the successful implementation of all terms and conditions agreed upon by the parties, the Town would transfer the lands to the Ski Club which was currently registered as a not for profit corporation who in turn would ultimately transfer the said lands to the Badlands Ski Hill Ltd.
- Prior to the transfer of the lands being registered in the name of the Ski Club, the Town would register a Restrictive Covenant over the lands in favour of the Town. The restrictions would enforce a period of 10 years for recreation purposes.
- The Ski Club agrees to pay an outstanding water bill of approximately \$30,000 and settle with all creditors prior to the transfer of the land in Mr. Zrinko Amerl's name.
- The obligations of the agreement were not fulfilled by the Drumheller Valley Ski Club (1997) and the Badlands Ski Hill Ltd.
- A second Notice of Termination dated November 10, 2010 cancelling the Sale Agreement was sent to the Drumheller Valley Ski Club (the Association) advising that the Town was made aware that the Association has been lapsed by Corporate Registries and as such no longer exists. As such, the legal entity which entered into the Agreement of Sale with the Town on June 26, 1997, has lapsed and no longer exists. Similarly, the Association which entered into the Agreement of Intent with the Town on October 1st, 2009 has lapsed and no longer exists.
- In addition, the Town has ordered the Association to remedy all defects including payment of all indebtedness to the Town and give the Town firm assurances that the Association will undertake the operation of the ski hill for the 2010-2011 season within 7 days of date of the letter, failing which the Association is required to surrender the land to the Town, together with all improvements thereon.
- As of December 10th, 2010, another entity was incorporated known as the Badlands Valley Ski Club (Friends).
- The Town has decided to present a proposal dated December 15th for Council's consideration whereby the Town would enter into a fixed term

lease with Friends prior to January 1, 2011, for the 2011 ski season with no renewals or extensions, and only upon the several non negotiable prerequisites having been met: proof of insurance, the provision of a certified cheque to the Town in the amount of \$3,600 being the estimated cost of water to operate the ski hill for the term of the lease and payment of the prior debts including the outstanding water bill in the amount of \$29,803.09.

- Since then matters continue to develop with the Passion Play having issued a closure against 1997 and parties are in litigation relating to an accident on the ski hill in 2008.

- As of today, the Town received a copy of Court Order whereby Zrinko has filed documentation to revive 1997 - he was asked to provide outstanding information to registrar at which time the matter will be brought back to the Court (believe that the application on behalf of 1997 appears to be made ex-parte. Further under the Companies Act Section 206 no order takes effect until requirements of the order have been met and published in the Alberta Gazette. It is clear that the revival process is underway.

- A financial institution has commenced foreclosure action due to an unpaid loan.

Questions from Council:

Councillor A. Berdahl asked for further clarification on the reinstatement of 1997. S. Clark explained that she is aware that an application was filed on December 22nd with the Court of Queen's Bench which may result in an order setting out prerequisites for reinstatement which will include the provision of financial documents to the registrar. She further explained that if the prerequisites are met, the revival can occur.

Councillor J. Garbutt stated that his concern relates to Section F of the fixed term lease agreement that includes the provision for the sale of land at \$4,999 and he asked Administration to clarify the price. R. Romanetz stated that the value of land relates from the originating agreement entered into with M.D. of Badlands No. 7 and the Drumheller Valley Ski Club at that time. The amount has carried over into the lease agreement. He further stated that it is a 1997 price and the amount was established for a not for profit ski hill.

Mayor T. Yemen asked with the creation of "Friends" do they have rights to assets. S. Clark explained that Friends as an incorporated society can create their own rights - it would not assume the liabilities of any entity - it is a new entity with its own bylaws. They are not legally responsible for the debts of 1997.

MO2010.179 Berdahl, Garbutt moved to approve the ski hill proposal dated December 15, 2010 as presented.

In favour

Opposed - Stanford, Berdahl, Yemen, Shoff, Hansen-Zarcharuk, Garbutt
Defeated.

8.2. Director of Infrastructure Services

8.2.1 RFD for Water Meter Pilot Project

A. Kendrick advised that on May 25th, 2010, Council directed Administration to move forward with a Request for Proposals to supply a complete meter reading system for a pilot program. The RFP closed on June 15th, 2010 with five responses to the RFP. Town staff was involved in the evaluation process. The proposal with the overall highest points was Accu-FloMeter Services as they have a proven track record with over 130 systems located in Alberta. This system would provide a One Stop Shop that would provide us with water meters, RF transmitters, reading system, including handheld, mobile/drive-by and fixed area network collectors, software and a compatibility guarantee.

MO2010.180 Garbutt, Shoff that Council award the Automated Water Meter Reading Service Pilot Program to Accu-Flo Meter Service Ltd. for \$40,078.50 including GST.

Questions from Council:

Councillor J. Garbutt asked how many households are included in the pilot project and the costs to change over to the new system. A. Kendrick stated that 50 of 3000 households will fit within the budget. He further explained that the changeover for the entire Town would be approximately \$300,000 (residential users) - there is no proposal to change overnight. R. Romantz explained that as the meters get phased out, they will be changed to the new system (dependant on how quickly they become obsolete with the current TWACS system). New houses would receive the new meters first.

Councillor J. Garbutt asked about the accuracy of the readings. A. Kendrick explained that he has worked with this particular system before and the system is very accurate.

Councillor L. Hansen-Zacharuk asked the security of the system. A. Kendrick stated that the hand held security cannot be hacked. He further stated that if no reading is received, the Town would issue a work order to see if the meter was tampered with. He stated that the system tracks the flow of water.

Councillor A. Berdahl stated that there is \$90,000 in the operating budget each year which guarantees the program for three years however he would like to see the program with an advance implementation. A. Kendrick stated that the budget would have to be reworked for upcoming years.

Vote on Motion: Carried unanimously.

8.3. Director of Corporate Services

8.3.1 Bylaw 24.10 Local Improvement Amendment

M. Roy explained that the Municipal Government Act requires that a local improvement tax bylaw be amended if there are subdivisions of properties that have a local improvement tax assessed on them. There have been some changes to the properties in Rosedale that are subject to the Local Improvement Tax Bylaw 23.06 for the Rosedale Cambria Water Distribution System. A parcel of two (2) developable lots have been combined into one (1) developable lot and another parcel has been split into two (2) developable lots. The net result of these changes is that the total number of developable lots remains unchanged, so there is no change in the local improvement taxes assigned to each developable lot. The structure of the bylaw is that all parcels pay an equal amount of local improvement taxes.

MO2010.181 Shoff, Stanford for first reading to Bylaw 24.10. Carried unanimously.

8.3.2 RFD for IT Contract

M. Roy advised that Administration issued a RFP for Information Technology Managed Services with a closing date of December 10, 2010 for a five year term starting January 1, 2011. The Town received four (4) proposals with a total contract price ranging from \$165,709 to \$313,379. MSI Systems Integration, who are our current support company, was the lowest priced proposal. Based on a set of criteria, MSI Systems Integration was the highest ranked of the four proposals. Over the five (5) years their proposal is \$65,291 cheaper than the next lowest cost proposal.

MO2010.182 Shoff, Hansen-Zacharuk moved to award the Information Technology Managed Services agreement for a five year term starting January 1, 2011 for a maximum cost of \$165,709 to MSI Systems Integration.

Questions from Council:

Councillor S. Shoff asked the term of the agreement and if travel costs were included in MSI's price. R. Romanetz stated that it is not uncommon for proposals and tenders to have different terms. M. Roy stated that MSI's travel costs were included in their overall price.

Councillor A. Berdahl asked that in the future, an executive summary of the scoring on proposals be included for Council's review.

Councillor J. Garbutt stated that over 50% of the criteria for the proposal had nothing to do with pricing. He stated that at an estimated cost of \$33,000 expense per year over the five year period is acceptable when considering that this service was previously carried out by a staff member and it does include unlimited hours.

Vote on Motion: Carried unanimously.

8.3.3 RFD Business Tax - Request for Refund

M. Roy presented a letter from Blair Potter of Potter Denture Clinic. He is requesting a refund of business taxes for the years 2006-2009 in the amount of \$792.58. A calculation error regarding the percentage of property assessment being used for business purposes was identified and corrected for 2010 by Administration. The Municipal Government Act Section 371(1) states: If a Council considers it equitable to do so, it may, generally or with respect to a particular taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions: (a) cancel or reduce tax arrears; (b) cancel or refund all or part of a tax; (c) defer the collection of a tax.

MO2010.183 Berdahl, Hansen-Zacharuk moved to direct Administration to refund \$792.58 in business taxes to Potter Denture Clinic. Carried unanimously.

8.4. Director of Community Services

9.0 PRESENTATION OF QUARTERLY REPORTS BY ADMINISTRATION

10.0 PUBLIC HEARING DECISIONS

11.0 UNFINISHED BUSINESS

12.0 NOTICES OF MOTIONS

13.0 COUNCILLOR REPORTS

14.0 IN-CAMERA MATTERS

There being no further business, the Mayor declared the meeting adjourned at 6:44 PM.

Mayor

Chief Administrative Officer