



2019 Municipal Indicators

BACKGROUND

In 2017, Alberta Municipal Affairs began using new performance measures that identify the percentage of municipalities deemed to be "not at risk" based on financial and governance risk indicators. Thirteen indicators are used to measure a specific aspect of the municipality's governance, finances or community. A municipality is deemed to be "not at risk" if it does not trigger the "audit outcome" or "legislation-backed ministry intervention" indicators and does not exceed more than 3 of the other 11 indicators in the annual calculation.

The Province obtains the information to calculate the indicators from annual audited financial statements and the annual financial information return. This reporting replaces the former municipal indicator comparison reports provided by the Province to municipalities.

ANALYSIS

In the 2019 reporting year, Lacombe County met or exceeded all indicators except for two: (1) Investment in Infrastructure and (2) Infrastructure Age. As only two indicators were not met, the County is deemed "not at risk." A report of Lacombe County's performance measures are shown on the next page.

Investment in Infrastructure is the asset sustainability ratio. This indicator looks at a five-year average of capital addition expenditures over annual amortization expenses. The expected result is that the average capital additions exceed the average amortization. Lacombe County is below the benchmark at a ratio of 0.84 (the benchmark is 1). This result means that amortization expense was greater than the amount of capital asset investment over this five-year period.

Infrastructure Age is the net book value of Tangible Capital Assets (TCA). This indicator looks at the net book value as a percentage of the total original cost. The benchmark result is for the overall net book value of all assets of County be greater than 40% of the original cost. Lacombe County's 2019 ratio is 38.35%.

As roads make up the majority of the County's assets, roads are the cause of not meeting the Province's expected results. County roads account for approximately 84% of all assets; therefore, they have a higher impact on the indicators. Investment in Infrastructure for roads is 0.45, and Infrastructure Age of roads is 30.89%.

Based on these criteria, one looking at these indicators would conclude that the County is not investing enough in its infrastructure, and as a result, the infrastructure is deteriorating. Unfortunately, these broad criteria do not factor in the infrastructure's actual condition, which the County does track. County Council makes investment decisions (especially for roads and bridges) based on these assets' physical condition.

The reason for the discrepancy is related to accounting practices. Accounting for tangible capital assets was mandated in 2009, and the decision was to pool the roads into one asset. That means that much of the gravel road inventory received similar remaining useful life and cost. However, the segments of roads in the County are at various stages of remaining life. Since 2009, the costs and useful life of newly constructed roads are tracked individually. As roads are reconstructed and removed from the original pool of assets, the indicators will move towards the Province's benchmarks. Staff are also reviewing amortization and useful life assumptions for the remaining assets in the road pool. Changes to these assumptions may be necessary to better reflect the state of roads in the County.

Lacombe County

2019

AUDIT OUTCOME
No Concern

MINISTRY INTERVENTION
No

TAX BASE BALANCE
23.90%

TAX COLLECTION RATE
98.76%

POPULATION CHANGE
-1.56%

CURRENT RATIO
6.11

ACCUMULATED SURPLUS/DEFICIT
\$85,412,848

ON-TIME FINANCIAL REPORTING
Yes

DEBT TO REVENUE PERCENTAGE
0.00%

DEBT SERVICE TO REVENUE PERCENT
0.00%

INVESTMENT IN INFRASTRUCTURE
0.84

INFRASTRUCTURE AGE
38.35%

INTEREST IN MUNICIPAL OFFICE
N/A

Note: The Municipal Indicator Dashboard uses a broad range of data collected by Municipal Affairs, and includes financial, governance and community inputs that are derived from information provided by municipalities through their audited financial statements, municipal election results, population affidavits as well as a count of instances whereby the Minister was required to intervene.

Each indicator has a defined benchmark. If a municipality fails to achieve that benchmark, the values are displayed in "red." A value of "N/A" means the municipality has been excluded from that indicator. A municipality is deemed to be "at risk" if it triggers one critical indicator (Audit Outcome or Ministry Intervention) or three or more of the remaining eleven non-critical indicators. For detailed information regarding indicators and results, please refer to the annual [Municipal Indicator Results](#).

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Municipal Indicators

Find out more about how each municipal indicator is calculated and what the results mean

Each indicator is intended to measure a specific aspect of the municipality's governance, finances, or community.

Each indicator has a defined benchmark. The benchmarks established by Municipal Affairs for each indicator are rules of thumb that provide a general indication of acceptable risk; however, a municipality may have unique circumstances or alternative strategies that justify a different result.

Indicator and Description	Expected Result	What It Means	Suggested Follow Up For Exceptions
Audit Outcome Audit report in the municipality's audited annual financial statements.	The audit report does not identify a going concern risk or denial of opinion.	The municipal auditor has been able to complete the audit and express an opinion, and has not identified a specific concern about the ability of the municipality to meet its financial obligations.	Follow auditor recommendations to resolve denial of opinion issues. Consider obtaining professional financial consulting services or requesting a viability review to address going concern issues.
Legislation-Backed Ministry Interventions Interventions authorized by the Minister of Municipal Affairs in accordance with the Municipal Government Act, such as a viability review, or where directives have been issued pursuant to an inspection.	The municipality has not been the subject of a Municipal Affairs intervention.	Municipal Affairs is not undertaking formal intervention with respect to the municipality. The Minister typically intervenes only when requested by a council or through a petition, and only issues directives in cases where significant concerns are evident.	Complete Minister-directed processes and actions.

See the indicator results at alberta.ca/municipal-indicators.aspx

Indicator and Description	Expected Result	What It Means	Suggested Follow Up For Exceptions
<p>Tax Base Ratio Tax base ratio is the proportion of the total municipal tax revenue generated by residential and farmland tax base, regardless of whether it is municipal property taxes, special taxes, or local improvement taxes.</p>	<p>The municipality's residential and farmland tax revenue accounts for no more than 95 per cent of its total tax revenue.</p>	<p>The municipality is able to rely in some measure on its non-residential tax base to generate a portion of its tax revenues. These properties are typically taxed at a higher rate than residential and farm properties.</p>	<p>Ensure taxes on residential and farm properties are sufficient to meet budgeted expenditure requirements.</p>
<p>Tax Collection Rate The ability of the municipality to collect own-source revenues, including property taxes, special taxes, local improvement taxes, well drilling equipment taxes, and grants-in-place-of-taxes.</p>	<p>The municipality collects at least 90 per cent of the municipal taxes (e.g. property taxes, special taxes) levied in any year.</p>	<p>The municipality is able to collect its tax revenues and use those funds to meet budgeted commitments and requisitioning obligations.</p>	<p>Review tax collection and recovery policies and processes.</p>
<p>Population Change The change in population of the municipality over the past ten years based on the Municipal Affairs Population List.</p>	<p>The population has not declined by more than 20 per cent over a ten-year period. Summer villages and improvement districts are excluded from this measure because they typically have little or no permanent population.</p>	<p>The population of the municipality is stable or growing.</p>	<p>Consider how services and infrastructure can be scaled down to accommodate reduced demands.</p>

Indicator and Description	Expected Result	What It Means	Suggested Follow Up For Exceptions
<p>Current Ratio The ratio of current assets (cash, temporary investments, accounts receivable) to current liabilities (accounts payable, temporary borrowings, current repayment obligations on long-term borrowings).</p>	<p>The ratio of current assets to current liabilities is greater than one. This indicator is not measured if the municipality's total assets exceed current assets by a factor of two or more; these municipalities typically have significant financial resources including long-term investments, but manage with minimal current assets.</p>	<p>The municipality is able to pay for its current financial obligations using cash or near-cash assets.</p>	<p>Consider increasing revenues or reducing costs to provide additional working capital.</p>
<p>Accumulated Surplus The total assets of the municipality net of total debt, excluding tangible capital property and debts related to tangible capital property.</p>	<p>The municipality has a positive (above zero) surplus. An accumulated deficit is a violation of Section 244 of the Municipal Government Act. Municipalities in a deficit position are required to recover the shortfall in the next year.</p>	<p>The municipality has more operational assets than liabilities, which generally provides the municipality with cash flow to meet ongoing obligations and manage through lean periods of the year where costs may exceed revenues.</p>	<p>Consider increasing revenues or reducing costs to provide additional surplus and maintain working capital.</p>
<p>On-Time Financial Reporting Whether the municipality has completed submission its annual financial statements and financial information returns to Municipal Affairs by the legislated due date.</p>	<p>The municipality's financial statements and financial information returns for the preceding calendar year are received by Municipal Affairs no later than May 1. Financial reporting is an important aspect of municipal accountability to its residents and businesses.</p>	<p>The municipality is preparing its audited financial reports on a timely basis.</p>	<p>Consider additional resources to complete year end accounting on a timely basis.</p>

Indicator and Description	Expected Result	What It Means	Suggested Follow Up For Exceptions
<p>Debt to Revenue Percentage The total amount of municipal borrowings, including long term capital leases, as a percentage of total municipal revenues.</p>	<p>The municipality's total borrowings represent less than 120 per cent (160 per cent for municipalities with a higher regulated debt limit) of its total revenue.</p>	<p>The municipality has maintained reasonable levels of borrowing debt.</p>	<p>Review anticipated funding sources for debt repayments to ensure borrowing commitments can be met.</p>
<p>Debt Service to Revenue Percentage The total cost of making scheduled repayments (including interest) on borrowings as a percentage of total municipal revenues.</p>	<p>The municipality's total costs for borrowing repayments do not exceed 20 per cent (28 per cent for municipalities with a higher regulated debt limit) of its total revenue.</p>	<p>The municipality has assumed a reasonable level of borrowing repayment obligations.</p>	<p>Review anticipated funding sources for debt repayments to ensure borrowing commitments can be met.</p>
<p>Infrastructure Investment – Asset Sustainability Ratio The total cost of annual additions (through purchases or construction) to tangible capital assets (vehicles, equipment, buildings, roads, utility infrastructure, land) relative to the annual amortization (depreciation) on all tangible capital assets - measured as a five year average.</p>	<p>The municipality's average capital additions exceed the average amortization (depreciation).</p>	<p>The municipality is replacing its existing tangible capital assets and investing in new assets and infrastructure at a rate exceeding the estimated wear or obsolescence of its existing assets.</p> <p>This measure does not account for the effects of inflation; typically, replacement costs for new assets exceed the historic cost of existing assets.</p>	<p>Review asset replacement activities over past years and anticipated capital additions in future years to ensure average annual additions exceed average annual amortization. Consider conducting a study of municipal infrastructure to ensure that future service requirements can be met.</p>

Indicator and Description	Expected Result	What It Means	Suggested Follow Up For Exceptions
<p>Infrastructure Age – Net Book Value of Tangible Capital Assets</p> <p>The net book value of tangible capital assets as a percentage of the total original costs. Net book value is the original purchase cost less amortization (depreciation).</p>	<p>The net book value of the municipality's tangible capital assets is greater than 40 per cent of the original cost.</p>	<p>The municipality is replacing existing assets on a regular basis. If the municipality is adding new services or expanded facilities and infrastructure, it would be expected that the ratio would be higher than 40 per cent.</p>	<p>Consider conducting a study of municipal infrastructure to ensure that future service requirements can be met.</p>
<p>Interest in Municipal Office</p> <p>The number of candidates running in the most recent municipal election relative to the total number of councillor positions up for election.</p>	<p>The number of candidates exceeded the number of councillor positions.</p>	<p>The ratio of candidates to total council positions measures the willingness of electors to run for municipal office.</p>	<p>Consider increased focus on community engagement.</p>