



## AGENDA ITEM

### 2020 Municipal Indicators

October 14, 2021

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#### **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 2020 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."

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 0.91 (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 2020 ratio is 37.93.

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 0.51, and Infrastructure Age of roads is 29.72%.

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 at that time, the County decided to pool its 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.

Fortunately, roads constructed since 2009 are tracked individually with the actual cost and useful life tracked. As roads are reconstructed and removed from the original pool of assets, the indicators will move towards the Province's benchmarks. Staff continue to review 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.

## **ALTERNATIVES**

1. That the report on the 2020 Municipal Indicators be received for information.

## **BUDGET IMPLICATIONS**

There are no immediate budget implications regarding this report.

## **LEGISLATIVE RESPONSIBILITIES**

Section 3 of the Municipal Government Act (MGA) states the purposes of a municipality are:

- a) to provide good government
- b) to provide services, facilities, or other things that, in the opinion of council, are necessary or desirable for all or part of the municipality, and
- c) to develop and maintain safe and viable communities

## **PUBLIC PARTICIPATION**

Lacombe County sees the value in engaging and informing the public/stakeholders through various mediums outlined in the *Policy AD(40): Public Participation Policy*.

*Inform:* To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions

Highlights of all County Council meetings are published on the County Website and in the County News.

### **STRATEGIC PLAN CONSIDERATION**

- Lacombe County's Mission - "To build a safe and vibrant community through leadership, innovation and healthy relationships."
- Strategic Priority – Infrastructure – Manage the County's infrastructure.

### **RECOMMENDATION**

That the report on the 2020 Municipal Indicators be received for information.

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