



Village of Warfield

Annual Report 2021

Mayor:

Frank Marino

Councillors:

Carolyn Amantea, Jim Hill, Fran Noone, Raymond Masleck

This report has been prepared in accordance with Section 98 of the Community Charter.

The Corporation of the Village of Warfield

Introduction

The 2021 Annual Report of Village of Warfield is prepared in support of the 2021 Audited Financial Statements and to address legislative requirements. The *Community Charter* requires that a municipality produce an Annual Report that contains prescribed reporting elements.

Warfield is a relatively small community that retains a “small town” character and feel. As a small municipality, the Village does not have the capacity to provide significant services and is focused on the provision of core services such as water, sewer, transportation, and drainage. With limited financial resources, the criticality of creating a Financial Plan that recognizes and supports ongoing investment as part of replacing and upgrading core infrastructure has become a key priority. Moving forward, recognizing the Village’s limitations, building a plan that appreciates the impact on the ratepayer but also realistically addresses the Village’s infrastructure deficit is critical if the Village is going to remain sustainable in the longer-term.

Warfield’s property tax base is almost entirely residential and trying to attract new residential development as part of increasing the property tax base is an important consideration. The provision of housing stock will also address an apparent shortage in housing options that exist in Greater Trail. In this regard, the lands in the Village that can be developed are a focus from the perspective of servicing and how required improvements will be financed. While increasing the tax base to help defray costs is important, there are other core infrastructure projects that should be addressed before considering publicly funded expansion of services, with the Village currently taking the position that private developers should fund any required infrastructure improvements driven by the new development. The Village’s ability to raise funding when considering the impact on the ratepayer will be a key future consideration.

There were staffing limitations and other obstacles that once again delayed the development of the 2021 Annual Report. The development of the 2021 Report was impacted based on the significant delay associated with the completion of the 2020 Financial Statements and associated Annual Report. Therefore, and when considering the initial delay, the 2021 report is not timely, given that it is being introduced in early 2023. As internal improvements are made and with a new Council taking office later in 2022, a “regroup” will occur and ideally realistic and specific goals and strategies will be established in order to advance the municipality, which will result in improvement to future annual reports both in terms of timing and content.

Covid-19

The ongoing impacts of Covid-19 were felt again in 2021 as the municipality rebounded from the more dramatic impacts felt in 2020. Municipal amenities like the Warfield Centennial Pool and the Warfield Community Hall were brought back online for use by the public in 2021.

The pool was not opened in 2020 and restarting involved considerably more time and associated costs as mechanical systems were repaired and restarted. These additional costs were funded from the Covid-19 Safe Restart Grant provided by the Province. In addition, user revenues were down from historic levels and again grant revenue was utilized to offset revenue losses, which allowed the Village to operate the pool in 2021 without increasing the net property tax deficit.

Moving forward into 2022, services and operations have normalized even further but there are still residual impacts of the pandemic being felt. The Provincial grant will continue to be utilized as part of the Village completing additional enhancements to municipal facilities, including the utilization of grant funding to offset revenue losses. Revenues continue to bounce back as people feel more comfortable coming together in larger groups and are gradually increasing to pre-pandemic levels.

Service and Financial Summary

The Village provides a number of services either directly or with the assistance of contractors. The Village has a relatively small number of employees and the utilization of contractors is therefore necessary as part of ensuring various services are being delivered. As the Village continues to review service plans, internal capacity and the associated budgetary impacts, some services that have been historically contracted out will be brought back in-house.

The 2021 Consolidated Statement of Operations indicates there was a \$40,930 consolidated deficit realized. The relatively small deficit is not seen to be a cause for concern; however, the lack of ongoing reporting and assessment of services caused deviations from the approved budget plan. There are variances within the operating departments with an apparent disconnect between service and financial management. Also, actual capital expenses in the amount of \$65,000 were considerably less than the budgeted amount of \$1,430,000. However, positive progress was made on planning for the new water intake, with the engineering expenses for this work being recognized as a water operating expense and were not capitalized given that only pre-engineering services occurred in 2021.

Efforts are being made to improve the overall budgeting process, including Council's review and approval. The goal is to produce a plan the more closely reflects the Village's needs when it comes to service delivery and matching this with required funding. Notwithstanding the need to make future adjustments to the Village's operating budgets, there is also a need to ensure that dedicated and sustainable funding is allocated toward ongoing infrastructure upgrading and replacement. When considering the Village's tax base and revenue generating capacity, if a shift is going to be made, it will require ongoing increases in municipal property taxes and other charges. Increases in the municipal budget and corresponding property tax levy were made in 2022 and going forward and it will be incumbent on Council to closely consider the Village's current and future needs and financial position as part of coming up with a fair and balanced approach when considering increases in user rates and property taxes.

Permissive Property Tax Exemptions

In accordance with the Village of Warfield Permissive Tax Exemption 2021 – 2023 Bylaw 892, 2020, the following permissive property tax exemptions were approved:

Folio/Address	Owner	Municipal Taxes and Charges	Other Taxes	Total Permissive Tax Exemption
#490.000 – 491 Forrest Drive	Trail Association for Community Living	\$1,955	\$1,416	\$3,371
#533.000 – 355 Willow Drive	Trail Association for Community Living	\$2,217	\$1,750	\$3,967
TOTAL		\$4,172	\$3,166	\$7,338

Future Considerations

The Village has seen very limited development over the last few years and without any new growth in the assessment base, ongoing costs and cost increases must be directly passed onto the existing taxpayer. Council has considered this and has approved funding to undertake a Comprehensive Development Plan (CDP) in the Emerald Ridge area of the community in the hopes of facilitating future private development. The CDP will consider the potential future buildout of this area and assess current and future infrastructure needs that will be necessary if orderly development is going to proceed. The CDP will be completed in 2023 and will provide a roadmap for future growth and a corresponding expansion of the Village’s assessment base.

The local government elections occurred in the later part of 2022 and the new Council has been sworn in and is therefore approving the 2021 Annual Report. It will be important for Council to establish a strategic direction for the community and to identify key and attainable objectives if the municipality is going to progress. Aside from governance, mapping out a strategy that considers the Village’s current position and establishing attainable future objectives is one of Council’s key responsibilities. Understanding the community’s needs and identifying priorities that can be achieved is critically important. In addition, as a member of the Regional District of Kootenay Boundary (RDKB), regional projects that will impact the Village taxpayer must also be factored into municipal plans.

One significant project that will remain a focus for the remainder of the term of the current Council involves the development of a plan that will result in the construction of infrastructure required to provide an independent potable water intake. Currently, the Village’s obtains water from Teck, who previously advised the Village that they will cease being a purveyor of water, which is seen to be outside the scope of their core business. The annual and five-year budget plan includes funding to perform the

due diligence work that will lead to the finalization of a design and budget that will result in the construction of a water intake, pumphouse and waterlines. The development of the plan will involve engagement with the public to further explain the project and the costs. The Village will seek grant funding at the appropriate time to assist with the construction costs, with residual funding coming from long-term borrowing. Therefore, ensuring the public is fully apprised of the project before seeking borrowing authority as well tendering and construction must be considered within the context of the overall project timelines. The goal is to have the new intake fully constructed and operational by the end of the year in 2026. However, when considering the magnitude of the project, including the construction of special pumps and other infrastructure, this deadline may be difficult to meet and will be assessed further towards the end of 2023.

In addition to the water intake, in 2022, the Village applied for a grant to upgrade the water treatment plant. An assessment of the plant was completed and more immediate upgrades in the amount of \$1.5 million were identified. The water treatment plant forms part of the Village's core infrastructure and the costs for the plant will have to be funded internally if the Village is unable to secure external funding. The RDKB is also proceeding with a project to improve the Sewer Treatment Plant. In addition, the infrastructure and services pertaining to solid waste disposal are also advancing. The RDKB plans to make improvements to the regional landfill infrastructure as well as implement a green bin (food waste recycling) program in 2024. The Village ratepayer will be directly impacted by these projects and there will be significant increases in costs that will be passed on to the ratepayer. When considering the significance of the impending regional projects, Council will need to carefully assess all services being provided.

As a small local government, staffing is also an issue and developing a human resource strategy as part of ensuring that there is an appropriate organizational structure and that staff hired have the requisite training and experience is critically important when considering the small workforce. The Village has suffered to some extent with administrative capacity and continuity due to ongoing senior administrative staff turnover, which is not unusual for smaller local governments. In 2022 Council approved an additional position in public works that increased internal capacity and made personnel changes within administration. This issue will need to be considered again as part of ensuring that there is an appropriate level of human resource capacity to manage and lead day-to-day service delivery as well as to carry out the strategic objectives of Council.

Conclusion

The completion of the 2021 Annual Report has once again been delayed due to the significant backlog that resulted in the approval of the 2020 Annual Report not occurring until April of 2022. As this backlog is addressed, it will allow the Village Council and staff to proactively consider the current and future needs of the municipality. It is emphasized that as a small municipality with limited resources, Council will need to remain focused on core requirements and will have to be disciplined when it comes to how resources are utilized. Having a finite and limited capacity requires an acute awareness and a pragmatic approach if the municipality is going to be sustainable going forward.

Further to the above, quantifying the Village’s “infrastructure deficit” as part of identifying realistic and meaningful capital projects and then implementing an affordable and funded capital plan is something that is going to have to be addressed if the Village is going to continue to provide reliable services in a sustainable and affordable manner. The Village’s highest priority capital needs will need to be identified and built into a plan that provides funding certainty going forward. In 2022 adjustments were made in the Financial Plan to build limited funding capacity from property taxes and user revenue in order to create a sustainable capital funding source; however, the overall deficit and costs of projects is such that in the absence of further and more significant increases in property tax rates and user fees dedicated towards capital funding, there will be projects that will have to be deferred. Assessing risk and ensuring core elements of various infrastructure systems are addressed as part of avoiding any sort of catastrophic failure is critically important. Currently the Village is experiencing increases in operating costs as part of addressing ongoing infrastructure failures, particularly within the water system.

Developing an integrated plan with key objectives that further recognizes the constraints and limitations described herein needs to be considered going forward if the Village is to remain sustainable and provide an affordable suite of municipal services. The decisions and direction that Council takes going forward must be deliberate and well thought out. While there are numerous ancillary issues that are important to the Village and society in general, the Village must recognize its standing, purpose and influence when it comes to resource allocation in order to maximize returns for the residents and taxpayers.