



March 16, 2020

**Ms. K. Shannon Yearwood, CAO**  
**Village of Hay Lakes**

P.O. Box 40

Hay Lakes, Alberta, T0B 1W0

Email: [HayLakes@syban.net](mailto:HayLakes@syban.net)

**RE: Financial Master Plan**

Dear Shannon,

Hay Lakes Council has identified a local growth strategy and has advanced planning efforts to create a 2020 Strategic Plan and a 2020 Municipal Development Plan. This Financial Master Plan is an important tool to connect the community growth strategy to the municipal budget and to inform financial decision-making for community leaders.

The projections and recommendations are based on strategic priorities and financial information and records provided from village officials. This Master Plan includes historical financial trend data and projections to demonstrate the financial trajectory for the community. SAGE Associate, Judy Tran, CPA was instrumental in compiling the Financial Master Plan data for the Village of Hay Lakes.

We trust that the overall planning project and the financial focus of the Master Plan will be helpful to village officials and to the overall community in attracting growth and achieving viability.

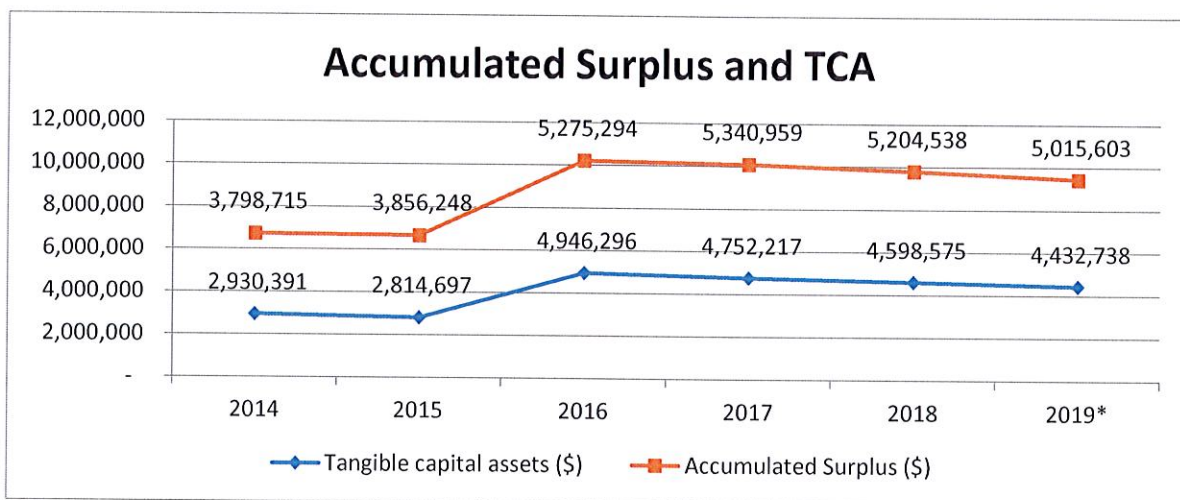
Sincerely,

Shari-Anne Doolaege, MPA, Q.Med, Q.Arb, CLGM  
President, SAGE Analytics Inc.

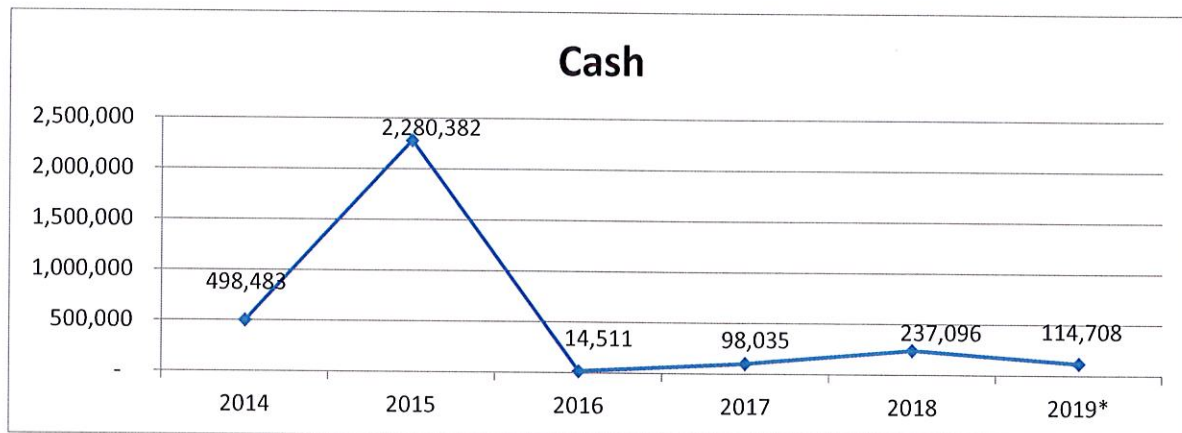


## 1 OVERALL FINANCIAL PICTURE

The Village of Hay Lakes has a modest financial picture as of December 31, 2019. The accumulated surplus (net financial assets) is approximately \$5M, of which \$4.43M is tangible capital assets (TCA) infrastructure. The difference between these values, \$582,865 is the liquidity for the village. The following chart shows this comparison.



A portion of the village liquidity is cash and investments, \$114,708 and the remainder is receivables. As a corporation, the municipality has a fairly low cash position. Operating cash may be low in the early part of the year before annual tax revenue comes in. The village cash position trend data is shown in the chart below.





## 2 STRATEGIC PRIORITIES

Village council has worked with the community to identify 2020 strategic priorities. These strategic priorities are organized in the four categories of **Build, Grow, Engage, and Protect**.

These community priorities were initially identified by council in November 2019. In February 2020 the council engaged the community and the public feedback received largely affirmed the priorities. The financial master plan is a tool intended to connect the strategic priorities to the budget. Project cost estimates were provided as available and some costs are yet to be determined.

### 2.1 BUILD and SUSTAIN FACILITIES and INFRASTRUCTURE

| Goal   | Timeframe | Cost/Resources   | Outcome  |
|--|-----------|--|--|
| <b>Develop Asset Management Plan for Roads and Sidewalks</b>                                     | 2020      | To be determined   | An asset management plan (AMP) addresses outline how roads and sidewalks should be managed at a strategic, tactical and financial level. The AMP determines the current condition of infrastructure, the desired level of service, and the financial resources needed for sustainability and growth. |
| <b>Lagoon Rehabilitation</b>   | 2020      | Estimated at \$2.1M, to be covered in part by government grants. | The lagoon is constructed to meet current capacity and is able to accommodate higher service levels in the future.   |
| <b>Repurpose Recreation Centre to Expand Community Library and Accommodate Other User Groups</b> | 2021      | To be determined   | Residents have an enhanced recreation center; the Village adapts to residents' needs as they change over time.   |





## 2.2 GROW and PROMOTE THE ECONOMY

| Goal   | Timeframe | Cost/Resources   | Outcome   |
|--|-----------|------------------|---|
| <b>Create Economic Development Strategy</b>                      | 2021      | To be determined | Existing businesses are revitalized and the Village attracts new business and land developers.  |
| <b>Market the Community for Targeted Growth (Res/Commercial)</b> | 2020      | To be determined | The Village attracts more residents and commercial interest resulting in more residential and commercial buildings.   |
| <b>Develop Financial Master Plan for Growth Strategy</b>         | 2020      | 8,600            | The Village is financially positioned for sustainability and growth. Revenues (taxes, grants, fees) cover the cost of operations while sufficiently funding reserves. |



## 2.3 ENGAGE and SUPPORT THE COMMUNITY

| Goal   | Timeframe | Cost/Resources  | Outcome   |
|--|-----------|---|---|
| <b>Strengthen Social Services through CDSS</b>     | Ongoing   | Costs and resources for specific projects within the budget are to be determined. | The Village builds a strong community that provides an accessible range of social services to support children, families, seniors and individuals in their healthy development. |
| <b>Promote Healthy Communities Initiatives</b>     |           |   |   |
| <b>Communicate with the public and User Groups</b> |           | Time is required to touch base with associated partners at least once per year.   | Opportunities with community partners are explored to administer social programs efficiently and effectively.   |
| <b>Build Relationships with Community Partners</b> |           |   |   |



## 2.4 PROTECT and ENJOY THE ENVIRONMENT

| Goal   | Timeframe | Cost/Resources  | Outcome   |
|--|-----------|---|---|
| <b>Protect Natural Areas<br/>(Creek, Telegraph Park)</b> | Ongoing   | Costs and resources for specific projects within the budget are to be determined. | The natural heritage of the Village is protected and there are thriving outdoor community spaces. |
| <b>Promote Other Initiatives</b>                         |           |   |   |
| <b>Promote Community Gardens</b>                         |           |   |   |
| <b>Develop Central Park</b>                              |           |   |   |



### 3 ENVIRONMENTAL SERVICES

The Village of Hay Lakes utility rate revenue has not kept pace with corresponding expenses in recent years. This has resulted in compounding deficits for utilities. An example is the \$66,878 deficit in water services in 2019. This means that a 57% water rate increase was needed to cover operational and amortization costs in 2019.

A cost-recovery strategy for environmental services would ensure that utility fees cover the full cost of operational and replacement costs through an asset management strategy, rather than subsidizing utilities through general taxation. Planning for the future recognizes that assets have a limited life expectancy.

The following table shows Revenues and Expenses by Program along with corresponding amortization. The Excess (Deficiency) is important information for village officials to consider for budget purposes and utility rate setting.

#### Village of Hay Lakes

#### Revenues and Expenses by Program

for the year ended December 31, 2019<sup>1</sup>

|                        | Revenue | Expenses | Amortization <sup>2</sup> | Total Expenses | Excess (Deficiency) |
|------------------------|---------|----------|---------------------------|----------------|---------------------|
| General                | 602,209 | 328,716  | 3,756                     | 332,472        | 269,738             |
| Protective Services    | 33,013  | 43,387   | 4,501                     | 47,888         | (14,875)            |
| Public Works           | 100,000 | 190,942  | 156,889                   | 347,831        | (247,831)           |
| Water                  | 117,791 | 143,883  | 40,786                    | 184,669        | (66,878)            |
| Sewer                  | 25,605  | 28,186   | 12,839                    | 41,025         | (15,420)            |
| Family CDSS            | -       | 3,257    | -                         | 3,257          | (3,257)             |
| Garbage                | 66,442  | 61,476   | -                         | 61,476         | 4,966               |
| Planning & Development | 1,395   | 2,001    | -                         | 2,001          | (606)               |
| Recreation and Culture | 25,825  | 58,349   | 6,367                     | 64,715         | (38,891)            |
|                        | 972,281 | 860,197  | 225,137                   | 1,085,334      | (113,053)           |

<sup>1</sup> Unaudited, based on trial balance provided on March 10, 2020

<sup>2</sup> Amortization estimated by using 2018 actuals





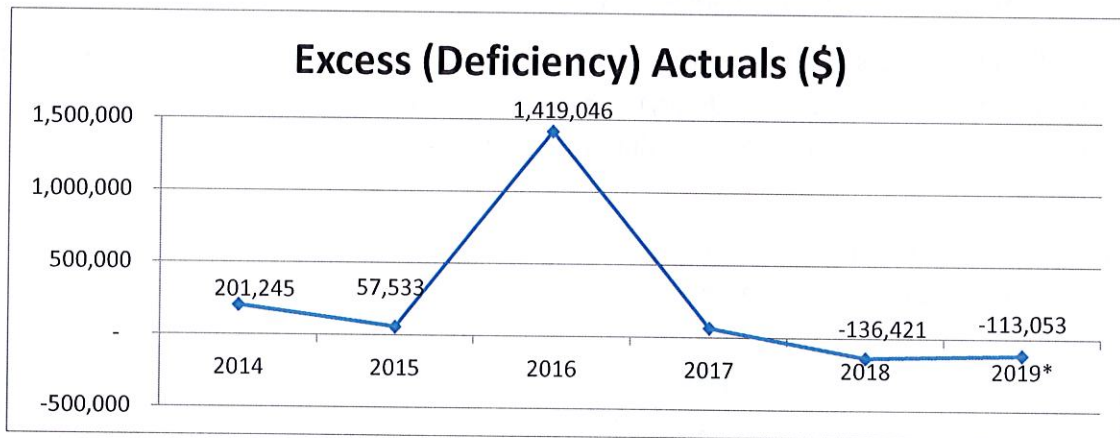
## 4 TREND DATA

Additional financial trend data has been reviewed and summarized to chart the financial trajectory for the village and is trending downwards. An upward trend would be helpful for the village to achieve strategic priorities and to support a growth strategy.

### 4.1 Trend Charts: EXCESS(DEFICIT) AND GOVT TRANSFERS

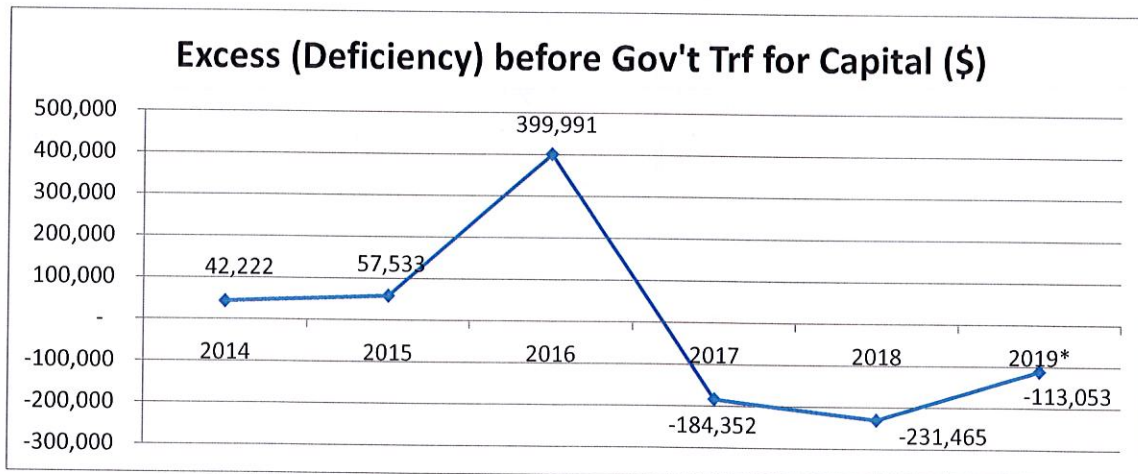
#### Excess (Deficiency) Actuals

The following chart shows the village deficit position *including* revenue from government transfers. The village benefited from government transfers (capital grants) in recent years. A \$113,053 deficit is projected for 2019\*.



#### Excess(Deficit) and Govt Transfers

The following chart shows the village deficit position *excluding* revenue from government transfers.







## **5 RECOMMENDATIONS:**

- 1. To identify details and costs of the strategic priorities and to include in these in the annual operating and capital budgets as applicable, beginning in 2020.**
- 2. To establish a cost-recovery strategy for village utility rates.**
- 3. To budget to build up reserves and cashflow in immediate future years.**
- 4. To explore community engagement options to increase revenues or find cost savings to achieve a sustainable community.**
- 5. To develop a taxation strategy to guard against the risk of future deficits.**

