

Municipal finances garner considerable public attention because citizens are directly affected through their responsibility to pay property taxes. Councils must allot those revenues in a fiscally responsible way that balances the needs and wants of citizens.

What is the AAMDC's position on the importance of municipal funding?

- Municipalities must operate according to the highest standards of financial transparency and accountability.
- Taxation revenue is a municipality's primary source of funding. Municipalities must determine their local priorities and cover their operating and capital expenses with available tax revenues, and find alternative sources (ex. grants, loans) to cover the rest.
- In comparison to federal and provincial/territorial levels of government, municipalities receive only eight to ten cents of each tax dollar collected in Canada but are responsible for services and infrastructure expenses that significantly exceed those revenue levels.
- It is vital that the provincial and federal government support municipalities through long-term, predictable, and stable revenue sharing.
- Without predictable and consistent revenues, it is difficult to plan capital projects, to service interest payments, and to provide consistent levels of service to citizens.

What financial considerations do rural municipalities have with respect to municipal funding?

- Discussions on municipal finances cannot only focus on revenues. To accurately compare the finances of urban and rural municipalities, both revenues *and* expenditures must be considered.
- Expenses in rural municipalities are often higher than in urban municipalities due to extensive road networks, bridges and water and wastewater systems that need to be maintained.
- In some cases, a municipality's use of unrestricted reserves creates a misperception of wealth. Where appropriate, the AAMDC supports the use of

restricted reserves in which municipal funds are formally dedicated to specific future uses, while recognizing that unrestricted reserves often function as a contingency plan in the event that an unexpected municipal cost arises.

- Rural municipalities make substantial financial contributions to their urban neighbours through various inter-municipal financial arrangements. Through these agreements, rural municipalities work with their municipal neighbors to meet regional needs. Local solutions are often the best solutions, and the AAMDC supports local decision making to meet local and regional needs.
- The impending requirements for municipalities to form intermunicipal collaboration frameworks with neighbours will likely increase the scope and consistency of cost-sharing arrangements throughout the province.
- In both 2014 and 2015, rural municipalities contributed \$160 million per year to their urban neighbours through inter-municipal financial arrangements, which is an increase of 23% since 2010, the last year in which complete data was gathered.
- In some cases, municipalities struggle to collect unpaid property taxes on all property types. Provincial and federal legislation must empower municipalities to collect these important revenue sources by broadening the available collection tools.
- The AAMDC supports municipalities operating transparently and sharing information on how tax dollars are being spent with citizens and other taxpayers.
- Federal and provincial government grants and transfers are vital to the sustainability of both rural and urban municipalities, and support both local community development and province- and nation-wide economic growth.

How does the work of the AAMDC support the sustainability of municipal funding?

- The AAMDC monitors legislation and budgets to identify areas of concern related to municipal funding and sustainability.
- The AAMDC works collaboratively with government and other stakeholders to develop solutions to support sustainable municipal funding (ex. MGA review, Municipal Sustainability Initiative).

What current funding-related issues are impacting rural Alberta?

Grants

- Grant funds are a major source of municipal revenues, including the substantial provincial investment made through the Municipal Sustainability Initiative (MSI).

Such grant funding must be long-term and predictable in order to properly support municipal planning needs.

- Changes to provincial or federal grants, including program requirements, funding levels, or the consolidation of grants often have unintended local consequences and add complexity to rural municipal financial management.
- Population based grants fail to recognize the needs of rural municipalities which are often characterized by extensive infrastructure networks and relatively low population densities. Grants should be focused on municipal needs best identified by municipal assets.

Defunding/Downloading

- When service delivery responsibilities are downloaded from the provincial government to municipalities, they should be accompanied with the necessary resources and funding to finance that service or responsibility.

Infrastructure Deficit/Increased Service Demands

- Most municipalities do not have sufficient annual revenues from taxation and grants to build and maintain needed infrastructure. Each year, this infrastructure deficit grows while citizens' expectations increase. Prior to the initiation of any change in governance structure (annexation, amalgamation, dissolution), the infrastructure deficits of all impacted municipalities must be considered, as adding additional responsibilities to an already over-extended municipality may have unintended negative consequences.

Intermunicipal Collaborative Frameworks

- The AAMDC encourages its members to commit themselves to finding local solutions to best address local and regional needs.
- Within Intermunicipal Collaborative Frameworks, cost sharing arrangements are preferable to revenue sharing because they are relatively easy to administer, and creates equity, accountability, effectiveness and efficiency.
- Intermunicipal Collaboration Frameworks must recognize that expenses associated with infrastructure maintenance and service provision are often much higher in rural municipalities than in urban.

Industrial Taxation

- Industrial taxation is critical to the financial viability of Alberta's rural municipalities. The taxes that industries operating in rural Alberta pay to municipalities help maintain the roads and bridges that provide access to the natural resources that drive Alberta's economy.

- Rural municipalities receive the majority of industrial taxation revenue in Alberta because that is where Alberta's heavy industries are located. These industries often strain or damage rural municipal infrastructure and are subject to fluctuating commodity prices which can impact rural municipal revenues.
- The AAMDC recognizes the financial challenges faced by municipalities in Alberta; however, the AAMDC believes all discussions on rural municipal finances must include an examination of both net revenues and expenditures.
- The AAMDC has opposed centralization of industrial assessment and has expressed concerns over the accuracy of future assessments, loss of local expertise and knowledge, and disruption to municipal staffing.

Funding Formulas

- Population is a weak predictor of expense for most municipalities in the province. As an alternative measure for funding formulas, municipal assets are often a stronger indication of need.

Asset Management

- By properly monitoring the age and condition of infrastructure and developing a long-term plan for maintenance and replacement, municipalities will increase accountability and efficiency in managing their assets and improve service levels.
- Due to the long-term nature of asset management planning, it is critical to establish buy-in throughout the municipality, from council to front-line employees. The AAMDC's report, *Navigating the Asset Management Journey*, can help develop this buy-in.
- The AAMDC looks forward to working with the Government of Alberta to implement the provincial plan for developing asset management that is linked to continued federal Gas Tax funding.

Taxation Authority

- The AAMDC advocates for an expansion of the current revenue tools available to municipalities.
- Municipalities need additional revenue sources to both diversify their current revenue streams, and to gather additional revenue to maintain and repair rural Alberta's critical infrastructure.

For more information, visit www.aamdc.com for [reports](#) and an online, searchable [Resolution Database](#) which includes information on all active resolutions and emerging issues related to municipal finances.

AAMDC reports specifically related to the position statements identified in this document include:

- *Apples to Apples: Rural Municipal Finance in Alberta – Main Report*
- *Apples to Apples: Rural Municipal Finance in Alberta – Technical Appendix*
- *Cost Sharing Works: An Examination of Cooperative Inter-municipal Financing*
- *Asset Management for Municipalities in Alberta: Navigating the Asset Management Journey*

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