

Examining Municipal Government Models from the Alberta Perspective

Summary Report



Prepared by the Alberta Association of Municipal Districts and Counties

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Introduction

Intermunicipal relationships are complex in Alberta. As the province's economy and population continues to grow, this becomes more and more the case. Whether it is accessing funds to expand critical infrastructure, providing an ever-growing list of services to municipal residents, or addressing emerging land use and development priorities related to natural resource development, municipal issues are rarely contained within municipal boundaries.

As municipal issues continue to spill outward, both collaboration and tension among neighbouring municipalities is becoming more common. The economics of service delivery may make cooperation among neighbours appealing. Conversely, growth may also change the magnitude and nature of interactions and create pressures for expansion that result in inter-municipal friction. Some have called for a revision of Alberta's municipal structures to better align boundaries with issues, while others believe that current legislation provides the necessary tools for municipalities to collaborate regionally while retaining autonomy.

To better inform this discussion, the Alberta Association of Municipal Districts and Counties (AAMDC) commissioned the Institute of Public Administration of Canada (IPAC) to undertake a study examining various municipal government models currently employed in Alberta, the rest of Canada, and the United States. This Summary Report provides a concise overview of the study's analysis and findings. For greater explanation of the concepts discussed in this document, visit AAMDC.com to access the full study.

The purpose of the study is not to determine the "best" structure for Alberta's municipalities, because there is no such thing. Rather it is intended to consider the relative merits and drawbacks of the models common in Alberta and elsewhere in North America to consider which may best meet different characteristics of an effective municipality.

The AAMDC hopes that this study will contribute to the dialogue regarding Alberta's municipal structures by providing municipal and provincial decision-makers with the context necessary to inform their discussions of municipal government in Alberta. By providing a variety of models that are used elsewhere in North America, it allows discussions to transcend the narrow focus on amalgamations and the "urban-rural divide" and instead consider the pros and cons of a number of models and how they may or may not work for Albertans.

Despite this effort to be objective, it is important to note that no model will produce the same results throughout a province as diverse as Alberta. Not only does the geography, history, fiscal circumstances, regional relationships, and myriad other characteristics of a municipality impact the effectiveness of various models, but so does the expectations of the reader. For some, service delivery is the most important aspect of a municipality. For others, it may be accountability. As such, the answer for some may be the last resort for others. Secondly, it is important to note that although this study is intended to contribute to the broader discussion of how Alberta's municipalities are structured, the AAMDC represents Alberta's rural municipalities, and as such, the majority of the focus is on how each model functions in a rural context and the relationships between urban and rural municipalities. Again, this is a matter of context, as some models discussed may have different outcomes when considered from the perspective of a large city.

Setting the Stage: A Brief Overview of Alberta and its Municipalities

Municipalities in Alberta are both simple and complex. They are simple because unlike in some other jurisdictions, there are no overlapping municipal authorities, no local and regional levels of municipal responsibility. A municipality is responsible for land within its boundaries, and any collaboration with neighbouring municipalities is voluntary.¹ They are complex because the services that they provide vary significantly based on municipal type and size. Alberta's urban municipalities (cities, towns, and villages) typically govern a concentrated population within a relatively small geographic area. They usually provide a high level of services. Alberta's rural municipalities (municipal districts and counties) generally govern a small number of people and a very large geographic area. They typically provide a lower level of services, as geography and a limited property tax base makes matching urban service levels impossible. Alberta's specialized municipalities are typically a hybrid of the two.

Understanding the economies and finances of Alberta's municipalities is also vital to considering the merits of various government model options as well as why this discussion is taking place. Alberta's economy is dependent on resource extraction and is linked to global prices for natural resource commodities (particularly oil). As such, it is often characterized as "boom or bust." Until very recently, Alberta was in a boom period, but plunging oil prices in early 2015 have placed the province in an uncertain economic position.

Despite this recent slowdown, Alberta's economy has outperformed all other provinces over the past decade in almost all measurable categories. Gross Domestic Product growth, labour force participation, population growth, and average weekly earnings are all among the highest in Canada since 2002.

Although Alberta's economy has thrived in recent years, the benefits are not uniformly distributed among its municipalities. For example, Alberta's overall population increased by 23.5% between 2002 and 2012, but growth rates among municipal types varied significantly. Alberta's two largest cities (Calgary and Edmonton) grew at roughly the provincial average, while other cities and specialized municipalities grew at significantly greater rates (33% and 54% respectively). At the other end of the spectrum, villages and municipal districts (MDs) grew at only a 7% rate. Rapid population growth presents a mixed blessing for municipalities. It is a signifier of economic development, but an influx of new residents equates to a greater need to develop infrastructure.

Although population growth in MDs is lower than in most urban municipalities, this is not an unusual development. MDs have historically been sparsely populated and home to Alberta's agriculture and natural resource industries. As such, levels of industrial development presents a better measure of growth in rural Alberta. The residential component of equalized assessments represents only 38.5% of equalized assessment in MDs compared to 65% in Alberta as a whole. To contrast, machinery and equipment and linear assessments account for a higher proportion of overall assessments in MDs than the province as a whole.²

Although development has occurred differently in rural and urban municipalities, the overall equalized assessment growth between 2002 and 2012 is quite similar across all of Alberta's municipal types, as can be seen in Table 1.

¹ One exception is the mandatory Capital Region Board.

² Equalized assessment is the adjusted total of all the assessed properties in a municipality to allow for fair comparison among municipalities. It is calculated and used by the Government of Alberta for a number of purposes such as balancing municipal contributions to education, seniors lodge programs, provincial grants, etc. Comparing the proportion of equalized assessments for various municipal types is an effective way to compare in what areas growth is occurring. More information on equalized assessment is available at: <http://www.municipalaffairs.alberta.ca/1571.cfm>.

Table 1: Population, Equalized Assessments (2012) and Changes from 2002 Levels, Alberta Municipalities

	% of 2012 Population	% Change in Population	% of 2012 Equalized Assessment	Growth in Equalized Assessments (x 2002 EA)	Equalized Assessment Per Capita, 2012 ('000 of \$)	Growth in Per Capita Equalized Assessments (x 2002 EA pc)
Alberta	100	23.5	100	3.08	192.7	2.49
Calgary	30	24	29.6	2.99	192.1	2.41
Edmonton	22	23	18.4	3.43	163.1	2.80
Other Cities	15	33	10.7	3.15	137.3	2.36
Specialized Municipalities	6	54	9.4	4.70	294.9	3.05
Towns	12	24	8.4	3.09	133.3	2.49
Villages	1	7	0.4	2.25	79.9	2.35
MDs & Cos.	11	7	22.0	2.62	352.1	2.44
Other	2	0	1.2	2.11	n/a	n/a

Sources: Alberta Municipal Affairs, MFIS and Population Lists. Author's calculations.

It is important to note that the distribution of assessment types can be interpreted in a number of ways. In fact, one of the reasons for the ongoing discussions about changing Alberta's municipal structures is the perception that industrial assessment and the associated revenues are unfairly distributed among municipalities. There is no question that MDs and specialized municipalities receive a large proportion of industrial assessment revenues despite having a much lower proportion of the province's population. Despite this, those calling for redistribution of this revenue through structural reform often overlook municipal costs. The impact of industrial activities on rural infrastructure (such as roads, bridges and water systems) translates into a substantial financial burden on rural municipalities. Despite having only 17% of the province's population, rural municipalities are responsible for maintaining approximately 75% of the roads and 60% of the bridges, the costs of which to maintain and repair have been rapidly rising while provincial funding support has been declining.³ This is exacerbated by the fact that rural municipalities have a limited residential tax base.

Overall, the impact of Alberta's economy on municipalities is complex, multi-faceted, and region-specific. In some cases, inequities between municipalities may be solved by reforming municipal structures. In other cases, however, such a solution may only intensify local fiscal challenges.

³ For a full discussion on the costs of rural services, see the AAMDC's *Apples to Apples: Rural Municipal Finance in Alberta* (2013) with updated statistics from AAMDC.

Always Moving: Municipal Government Evolution

Municipalities are not static. Their composition is constantly evolving whether through economic development, population growth or decline, or changing citizen expectations. This puts pressure on existing municipal structures and, in some cases, leads to changes in how municipalities work with one another, other levels of government, and the private sector, or to more fundamental structural changes. Ideally, such change should take place only if the current governance process is not meeting the needs of citizens.

This section will examine five factors that may influence or stimulate change in how municipalities govern, and when reforms may be necessary to improve municipal function, operation or structure. The following outlines these important factors for consideration though it should be noted that in each situation where municipal restructuring is considered, both in Alberta and elsewhere, different factors should be weighted differently to account for local conditions.

1. Municipal Government Principles

Municipal governments should meet three principles: the taxpayers' right to representation, equitable representation among taxpayers, and subsidiarity. A municipal government's inability to meet one or more of these principles may prompt calls for restructuring. The principles can be described as follows:

- *No taxation without representation* - Citizens should only be taxed when they have some voice over the range and cost of the public services for which they assist in funding.
- *Representation by population* - Political decisions should not be influenced by one group of citizens or taxpayers to a greater extent than another in the same jurisdiction for reasons of geography or other organizational factors. No small group within a political jurisdiction should be in the position to frustrate the will of the majority, unless it offends a well-established right, such as property rights or fairness in taxation.
- *The government closest to the people (subsidiarity)* - The public is best served when government services and programs are developed and delivered closest to those affected, but consistent with considerations of equity, effectiveness and efficiency.

When a municipality lacks capacity to deliver necessary programs or services, it may seek: (1) to organize the delivery of programs or services in cooperation with others; (2) to share the fiscal resources of others (e.g., tax base); or, (3) to expand its political jurisdiction geographically or by merger, or to become part of another, broader political jurisdiction.

These principles form the backbone of municipal government. In many cases, a municipal model will meet some principles better than others. Often, municipal collaboration or structural reform is undertaken to better fulfill these principles.

2. Community Identity

Community identity continues to influence decisions about municipal structures, but it should be understood that community identities can and often do continue to exist regardless of how municipalities change, and may express themselves in various ways both within and outside of a new municipal structure.

Despite this, it is important that any municipality, particularly one that is newly formed, encourage voluntarism and community participation in order to develop a sense of belonging and connection to what is, from the perspective of some citizens, essentially a new place.

In some cases, communities such as neighbourhoods or hamlets wield considerable influence within a municipality. These communities often expect to have their voices heard by municipal decision-makers regardless of structure. In

many cases, changes to government structures in large urban municipalities have included a focus on maintaining a voice for certain communities at the municipal table. A prominent example is when the newly amalgamated City of Toronto provided several Community Councils with planning powers in localized areas of the city. In other cases, local communities are provided specific costs and levels of services in order to maintain the existing municipal relationship.

3. Municipal Finance and Planning

Historically, finance and planning have been internal practices, but as growth and development has intensified in recent years, these practices have become more outwardly focused. This section will consider the impact that evolving citizen expectations and growth patterns have on how municipalities plan for and finance infrastructure and service delivery.

Municipal planning has typically focused on providing citizens with services and infrastructure that aligned with their expectations and with municipal revenues. Despite this, patterns of social and economic interaction did not correspond with municipal boundaries. For example, urban drivers routinely used rural roads and bridges and rural residents routinely used infrastructure built by taxpayers of urban municipalities, such as recreation facilities. The blurred lines between municipal ownership and citizen use became contentious in recent years as growth pressures pushed both urban and rural development to many fringe areas near municipal borders. In the absence of effective cost-sharing agreements, these pressures often led to annexations by urban municipalities, and to all forms of municipal consolidations within rural areas.

Municipal planning priorities often differed significantly in urban and rural municipalities. Plans in urban municipalities typically aimed to ensure that fringe development stayed within the boundaries of the municipality, used extensions of existing municipal infrastructure, and were added to the property tax base of the urban municipality.

Plans in rural municipalities aimed to attract non-residential development to support the rural tax base, to provide off-farm employment, and to ensure segregation of land uses to protect agriculture and residential communities. Land developers often pressed to create suburban-style residential communities in rural municipalities for those seeking rural lifestyle and affordable housing, as well as promising new assessment and development-related revenues to rural municipalities.

As municipalities' populations continue to increase and citizen expectations rise, new municipal challenges and priorities arise in both urban and rural areas. In Alberta, these challenges have manifested themselves through an increase in collaborative action among municipalities, such as intermunicipal development plans, cost-sharing agreements and friendly annexations, as well as other, more contentious interactions such as annexation or amalgamation.

In some cases, an influx of fringe-area residential or commercial development in a rural municipality can alter both its rural nature and its relations with neighbours. Such development is often an inevitable result of economic and industrial growth, and may be an appealing way for a rural municipality to gain additional taxable assessment. Decisions to pursue such growth can be a slippery slope, in terms of the rural municipality's fiscal future and its relationship with its municipal neighbours. If urban development in a rural municipality is perceived to depend on extension of services by the adjoining municipality, creates land-use conflicts, or generates increasing demands for programs and services in the adjoining municipality without adequate compensation, inter-municipal conflict may ensue. This conflict may lead to annexation or other forms of municipal restructuring, since as an attempted amalgamation or formation of a specialized municipality.

There is no question that municipal finance and planning has evolved from having an inward focus to one that is impossible to undertake in isolation. Municipal leaders must have a clear idea of the options available for growth planning. This will empower local decision-makers to properly represent their municipality in regional issues and argue the superiority of their options to other, less satisfactory alternatives. It also presents a better alternative to ignoring

pressure to adopt a regional lens to planning. Across North America, this course often leads to decisions about reform being made by others.

4. Regional Collaboration

Regional collaboration is frequently centered on service delivery and seeks to achieve economies of scale to reduce costs and increase efficiency in delivery. There are several regional models, detailed below, that facilitate collaboration and each has specific strengths and challenges. At the core of each model is the need to balance local and regional interests. In some cases, the interests of the region may contradict the interests of the local municipality. Many models address this by implementing checks and balances on regional authority, such as implementing a consensus based decision making model among the municipalities involved.

While regional models may be challenged by a tension between local and regional priorities, fundamental regional restructuring often leads to difficulties in maintaining an equitable distribution of political influence among various areas within the newly formed municipality. When pursuing collaborative solutions to collective challenges, municipalities must consider the most effective way to balance decision-making power between local and regional needs to ensure the collaborative arrangement is both effective and sustainable.

Overall, whether regional decision-making and/or service delivery is formalized through a regional decision-making body or by amalgamating multiple municipalities into a single new municipal government, tensions and challenges related to local priorities and regional efficiencies will invariably follow.

5. Municipal Restructuring

Pursuing municipal restructuring in search of greater efficiency or effectiveness is often in response to changing local and regional needs. Following a shift into a new municipal structure, one must consider the ability of the new structure to adapt to additional changing needs.

Drivers for restructuring can come in many forms. As mentioned earlier, many of the discussions in Alberta relate to how municipal revenues are distributed, and whether they fairly reflect the needs of all municipalities. In other cases, restructuring may be due to external factors such as economic changes (growth, decline or employment shifts), or provincially initiated reform requirements.

Municipal mergers are often challenging to evaluate objectively, as they typically present an improvement in conditions for some municipalities, while requiring others to make sacrifices. Also, municipal restructuring may stabilize the situation in the near-term, but give rise to demands for more change in the future.

Different forms of regional restructuring have occurred across North America. In many cases, municipalities who collaborate in specific service areas have merged into a single municipality. This may be the result of council and citizen support, or imposed by a provincial or state government to improve administrative efficiency. This often involves urban and rural municipalities. Some notable examples involve major American cities as well as many mid-sized cities in Ontario.⁴

⁴ Examples of American city/county mergers include Miami and Dade County, Nashville and Davidson County, Kansas City (Kansas) Wyandotte County, and Indianapolis and Marion County. In Ontario, the Municipality of Chatham-Kent and the City of Kawartha Lakes are two examples.

British Columbia's regional districts are a Canadian example of municipal restructuring that has resulted in a two-tier municipal structure. The regional districts have been relatively effective in balancing the needs of local and regional, and of urban and rural, and as a result, have remained fairly stable for several decades. In most Canadian cases, two-tier regional government structures have served as an interim stage towards more complete municipal integration. Winnipeg, Ottawa, Gatineau (formerly Hull, QC), Hamilton, Montreal, Toronto, and Sudbury each saw "federations" of local municipalities, including rural municipalities, give way to a single, metropolitan city government. It is notable that this pattern has not been repeated west of Manitoba.

On balance, municipal collaboration may lead to discussions about merging. Even where the spirit of cooperation does not drive structural changes, community concerns can lead to decisions to alter municipal structure to accommodate citizen demands for equitable sharing of municipal costs or improved service delivery. Another motivation may be a decline in the fiscal position of a municipality, resulting from the loss of an employer or the need to manage a major industrial or residential expansion. In some cases, attempts to merge are unsuccessful due to increasing complexity or decreasing accountability to citizens, leading to a de-merger.⁵ Further, forced cooperation between municipalities on some municipal issues by a provincial government can erode the willingness by partner municipalities to cooperate on other issues.

Both the administrative and political difficulty of merging and the merits of creating a more responsive, adaptable, and efficient municipal government should be key factors to consider related to municipal restructuring. As municipal restructuring is likely to impact political representation, identity, and service delivery (often to the point that citizens demand a de-merger), it is generally viewed as a last resort when considering how to improve municipal governance.

An Alberta Perspective on Municipal Government Evolution

To a large extent, the absence of regional governments in Alberta reflects the fact that Alberta's MDs were established with a geographic footprint that is much larger than municipalities in most other provinces and states.

In Alberta, special-purpose bodies with a regional mandate have bridged the gaps in service created by municipal boundaries. Intensifying regional service-delivery pressures have contributed to an increase in the number of Regional Service Commissions in Alberta, which grew from 40 in 2001 to 70 in 2013. This is an indication that regional collaboration around specific services has, to this point, been effective in meeting regional needs while maintaining municipal structures.

In some cases, responsibility for one or more regional municipal services has been shifted by a local municipality to another municipality or special-purpose body that has the mandate and capacity to organize, finance and deliver that service. There have also been experiments with municipalities creating regional governance bodies for land-use planning and/or regional service-delivery. When viewed by the municipal partners as contributing to a better result than could be achieved alone, these arrangements work well and sustain themselves for many years. They are in the tradition of rural cooperation throughout Alberta's history.

It is equally notable that, with few exceptions, Alberta – unlike many other parts of Canada – does not use differential urban-rural tax rates within the same municipality as standard practice, nor has it embraced pooled taxable assessment arrangements, as is periodically seen in other jurisdictions, as a means to bridge the urban/rural divide. Rather local

⁵ Two examples of de-mergers are the Rural Municipality of Headingley's secession from the City of Winnipeg in 1993 after the two (and several other municipalities) merged in 1972, and the return of 15 municipalities to independent status from the former "mega-city" of Montreal in 2006.

voluntary cost- and revenue-sharing agreements are the most common means of inter-municipal collaboration in Alberta.

The key consideration in examining local government reform options in Alberta is whether cooperation and collaboration can be sustained in the face of pressures faced by municipalities and the communities that they serve. Where it works, collaboration avoids the need for institutional changes (such as forced mergers, annexations, loss of tax base, etc.) while allowing municipalities to meet fundamental principles of good governance, maintain community identity, plan for the future and remain financially viable, and view planning and development through a regional lens.

Beyond Alberta: Municipal Models from Elsewhere in North America

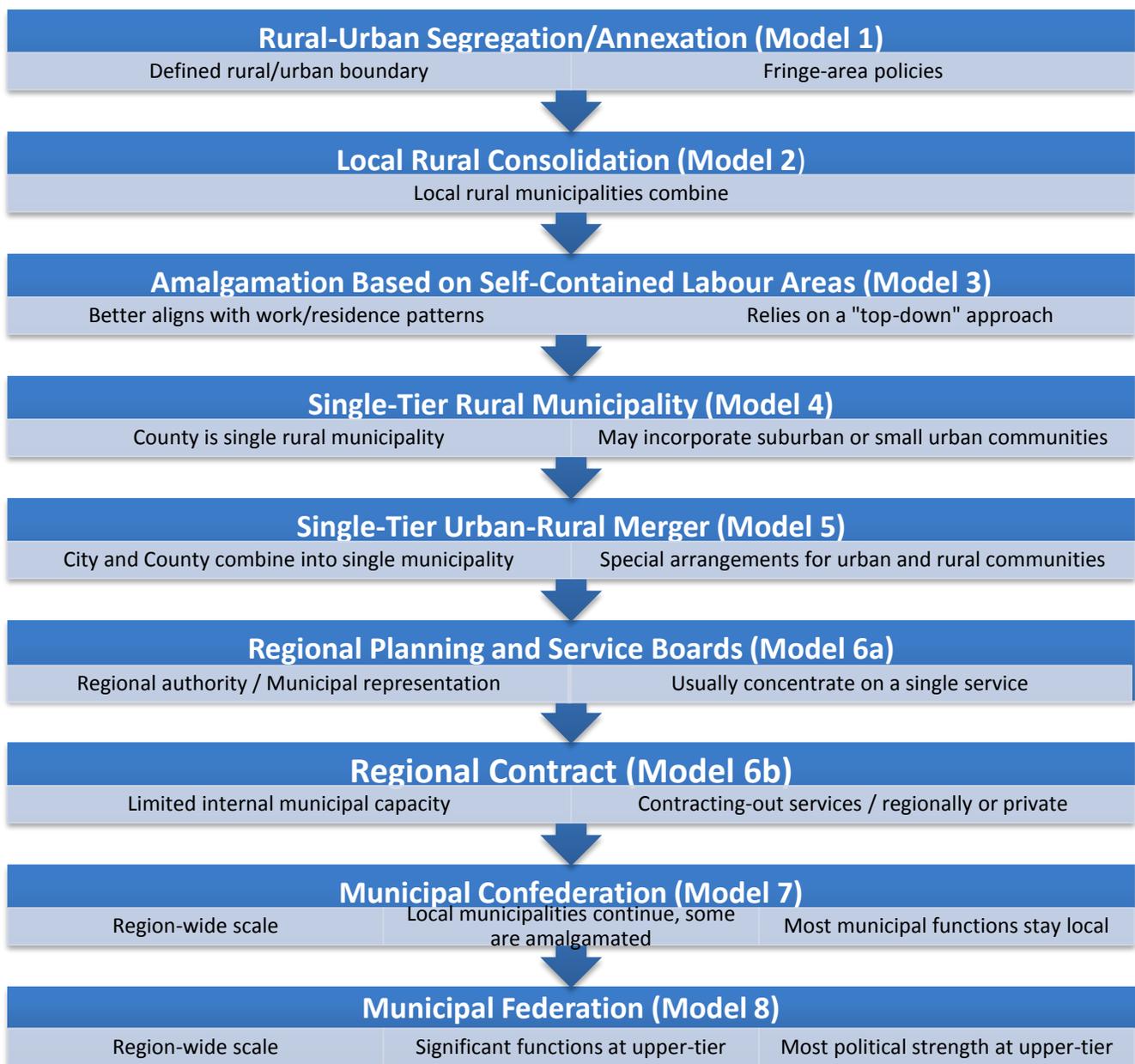
This section applies a set of criteria to analyze eight municipal models in use elsewhere in North America, as well as the MD and specialized municipality model in Alberta. The criteria used are finance, governance, service delivery, administration, identity, collaboration, formation and external impacts (refer to Appendix A for a detailed description of the criteria and how each was used).

How municipal models are evaluated will vary based on personal perspective and circumstance. When applied against various models, the criteria cannot identify what is definitively “best,” but may indicate whether the impact will be positive, and if so, to what degree.

Additionally, the impacts of each model will likely vary in different regions of Alberta. One may work well in an urbanized area but be ill-suited to a rural region. Another may be better applied to areas with a number of small urban municipalities, while the same may have no relevance to an area governed exclusively by an MD. Findings have been presented to allow readers to apply their own perspectives. Although the evaluation of some models may change based on what type of municipal perspective is being used in the analysis, this study will use a rural lens when evaluating the various models.

To simplify the evaluation process, the models are rated using a five-level scale based on the degree to which they answer the following questions for each criterion: “What is best for the whole area, including the residents and businesses of the MD?” and “Does this model serve the interests of the residents of the MD?” In other words, the evaluations attempt to balance local and regional considerations. The assessments are based on degree, not a weighted value: “high” indicates full alignment with the best result for that criterion, “good” indicates significant alignment, “moderate” indicates moderate positive alignment, “adequate” indicates modest alignment, and “low” indicates minimal or negative alignment.

As there are countless local variations on the models discussed, it can be difficult to determine which specific arrangements may best suit the needs of Alberta’s municipalities and which examples from elsewhere in North America may best reflect the realities of Alberta. As a result, the following section examines several broad types of municipal government models. The models are not exhaustive of every structure used in North America, but present eight broad types which are often modified to suit local needs. The eight models follow a rough trajectory, moving from high levels of local autonomy to ever-greater levels of municipal integration across a regional area. The models are as follows:



The remainder of this section will discuss and evaluate each of the models.

Model 1: Rural-Urban Segregation/Annexation

Model 1 presumes that urban and rural municipalities are different and that their responsibilities and geographic limits should reinforce that distinction. Under this model, physical services are not extended from an urban area into a rural area without annexation or intermunicipal collaboration. Annexation occurs on terms that are either established by municipal legislation, arbitration, or negotiation. It also tends to favour joint or mutual planning policies that manage and restrict urban development in fringe urban areas, or phase urban expansion coincident with annexation. To avoid conflicts in the delivery of municipal programs, which might in turn lead to annexation proposals, a region's rural municipalities may contract for services from the private sector, non-profit sector, or other municipalities.

Model 1 Findings:

Criterion		Summary
Finance	Good 	Urban and rural municipalities remain responsible only for land types that match their definitions. Boundary shifts may result in lost revenue for rural municipality and increased development costs for urban municipality.
Governance and Accountability	Good 	Governance remains simple, as regional collaboration is rare, voluntary and usually focused on specific planning or cost-sharing initiatives. In some cases, all voices may not be heard during an annexation process.
Service Delivery	Moderate 	Taxation levels should match service levels in both urban and rural municipalities. Voluntary collaboration may result in duplication of some services in urban/rural fringes if municipalities unwilling to work together.
Administration	High 	Tradition of distinguishing politics from professional management; while rural municipalities may be challenged to recruit and retain professional staff, they typically become experts in focusing on specifically rural needs.
Local Identity	High 	Existing structures good vehicles for respecting rural and urban interests respectively. All collaboration is voluntary.
Rural/Urban Collaboration	Moderate 	Few formal mechanisms to coordinate planning with neighbouring jurisdictions. Fringe-area development a contentious issue and often leads to boundary disputes.
Formation	Moderate 	Boundary shifts often result in a "winner and loser" scenario. A respectful annexation process based on mutually established principles will assist in making process business-like.
Broad/External Impacts	Adequate 	No formal mechanism for regional planning/dispute resolution, which may result in a tendency for municipalities to consider their internal best interests, rather than those of the region.

Model 2: Local Rural Consolidation

In model 2, small townships and villages merge into larger units of rural municipal government.⁶ If there is a county level of government, it typically contains separate small urban and rural municipalities within its boundaries. When those small municipalities merge, the county level of government continues with expanded responsibilities and a change in local representation on its council. In some cases, the whole county area is comprised of local governments (e.g., Ontario, many U.S. states). In other cases, such as California or Georgia, the county may include some small municipalities but also unincorporated areas.

Model 2 Findings:

Criterion	Summary	
Finance	Moderate 	Merging small urban municipalities with a rural municipality allows for financial capacity that the previous municipalities lacked. In some cases, ratepayers may be negatively affected by having to subsidize service improvement to some areas of the newly formed municipality.
Governance and Accountability	Good 	Residents of dissolved municipalities may feel isolated from new municipality. With increased municipal capacity will come a better ability to respond to citizen needs.
Service Delivery	Moderate 	Residents of dissolved municipalities may see service improvements, but rural residents may see higher taxes to fund infrastructure upgrades in dissolved municipalities, while rural service levels will likely be unimproved.
Administration	High 	One large municipality should attract more capable administrative staff than several small municipalities competing against one another.
Local Identity	High 	May compromise local identity for those who tie it to municipal structure. However, in the long-term consolidation should improve services in former municipalities, which may increase community pride.
Rural/Urban Collaboration	Adequate 	May lead to internal tensions related to taxation and service levels.
Formation	Moderate 	May place different burdens on taxpayers in different areas of the newly formed municipality. As a result, political buy-in from all former municipalities may be challenging.
Broad/External Impacts	Adequate 	If some small municipalities are excluded from consolidation despite being located within the larger rural municipality, their growth could be compromised. The increased capacity of former separate small municipalities may reduce the need to collaborate beyond boundaries.

⁶ Note that Alberta's municipal types are not typical of other jurisdictions. In many areas, rural municipalities come in various sizes. Small rural municipalities may be known as "townships," while larger rural municipalities may be known as "counties." The terminology is, in some cases complex, but a rough Alberta equivalent to a small rural municipality would be a village.

Model 3: Amalgamation Based on Self-Contained Labour Areas

Model 3 is partly based on a 2011 study in which Statistics Canada identified 349 self-contained labour areas (SLAs) in Canada.⁷ SLAs are “a territorial unit where most of the residents with jobs are working in the area and most of the jobs in the area are filled by workers residing in that area.” SLA boundaries reflect where individuals live and work.

SLAs provide a potential tool to determine municipal boundaries. Ensuring that residents spend as much time as possible within their municipalities may better link municipal taxation with those who use services and infrastructure. However, it also disrupts existing structures based on historical community interactions. This model was recently used in part to guide a mass amalgamation in Manitoba. While it is too soon to judge the success of that process, it has had significant local opposition in some areas.

Model 3 Findings

Criterion		Summary
Finance	Moderate 	May improve long-term efficiency. In short-term, province has been main beneficiary as the reduction in municipalities have reduced province's administrative costs, while requiring new municipalities to shoulder formation costs.
Governance and Accountability	Good 	Alignment with residence and employment patterns ensure that link between residents/business and municipality is clear. Larger municipal sizes may reduce accessibility of municipal officials.
Service Delivery	Moderate 	Will ideally lead to service improvements. In short-term, may reduce service levels as many municipalities transition into a single government with diverse responsibilities.
Administration	Moderate 	In long-term, municipalities may have more resources to attract qualified employees. In short-term, uncertainty over responsibilities may lead to administrative challenges.
Local Identity	Moderate 	Increasing the number of residents that live and work in a municipality may improve local identity, but reducing accessibility of elected officials may have opposite effect.
Rural/Urban Collaboration	Moderate 	Reduced need for residents to use infrastructure of neighbouring municipalities may decrease need to collaborate. May cause municipalities to overlook beneficial regional partnerships because the need for regional collaboration is no longer critical.
Formation	Adequate 	SLAs are based on a regional view that may overlook local concerns. What appears logical for SLA may be opposed locally. Formation may require provincial intervention.
Broad/External Impacts	Moderate 	SLAs should produce positive impacts, as boundaries align with residence and work patterns. A well-performing municipality may be merged with a struggling municipality, which will harm the successful municipality through no fault of its own.

⁷ Anne Munro, Alessandro Alasia and Ray D. Bollman, “Self-contained Labour Areas: A Proposed Delineation and Classification by Degree of Rurality,” *Rural and Small Town Canada Analysis Bulletin* 8:8 (December 2011).

Model 4: Single-Tier Rural Municipality

In model 4, all smaller municipalities within a large rural municipality are absorbed into it, and it becomes the sole municipal government serving all communities within its boundaries. This may occur at one time, or it may be an evolutionary process under which individual local municipalities are dissolved, one-by-one, over time. This typically occurs in areas with no major urban centres. This process is fairly common in Ontario, where a number of local municipalities within a county have merged to form a single-tier municipal structure. There are a few variations of this structure in Alberta, such as Lac La Biche County and the Municipality of Crowsnest Pass.

Model 4 Findings:

Criterion	Summary	
Finance	Good 	Diversified tax base allows for greater economies of scale and a more stable revenue stream.
Governance and Accountability	High 	Unambiguous responsibility for all services, taxes and planning across the whole rural area makes single-tier county transparent and accountable.
Service Delivery	Moderate 	Residents of dissolved municipalities may see service improvements, but rural residents may see higher taxes to fund infrastructure upgrades in dissolved municipalities, while rural service levels will likely be unimproved.
Administration	Good 	One large municipality should attract more capable administrative staff than several small municipalities with limited capacities. Challenges exist in trying to simultaneously meet urban and rural expectations.
Local Identity	Good 	Capacity of larger municipality allows better planning and execution of strategies to maintain growth in economic sectors traditionally linked to both urban and rural communities within new municipality.
Rural/Urban Collaboration	Moderate 	Different service and taxation expectations may result in concerns about some taxpayers subsidizing others. Fair political representation from both urban and rural areas also a challenge, especially when multiple urban communities merged.
Formation	Moderate 	Forming a new structure that overcomes the parochial practices of previous small municipalities a challenge.
Broad/External Impacts	Moderate 	May create greater competition with neighbouring urban municipalities related to attracting economic development, etc.

Model 5: Single-Tier Urban-Rural Merger

In model 5, the county government absorbs not only small municipalities within its boundaries, but also merges with a large urban municipality within or adjacent to it. If the urban municipality is smaller in population than the county, the end result may be a single-tier county with special provisions for the urban centre (more services, an urban-rate surcharge on municipal taxes). If the urban municipality is larger, the amalgamated municipality may emerge as an expanded town or city municipality, often adopting a city's municipal status under legislation. These mergers are common in American cities and surrounding rural municipalities.⁸ In these mergers, rural interests are protected by such measures as establishing a rural sub-committee or electing some representatives on an at-large basis, with others elected from rural and urban wards.

Model 5 Findings:

Criterion		Summary
Finance	Good 	Combines rural industrial assessment and urban residential assessment. When combined, this new assessment base may allow for improved financial circumstances. If one or more predecessor municipalities struggled financially, subsidization may occur.
Governance and Accountability	Good 	If urban and rural population is not balanced, consideration may need to be taken to ensure all communities are represented; one government strengthens accountability.
Service Delivery	Moderate 	If urban and rural population is not balanced, service delivery priorities of majority may take precedence. The use of urban service areas and special area taxes are strategies to match taxation levels with service levels.
Administration	High 	One large municipality should attract more capable administrative staff than several small municipalities with limited capacities. Challenges exist in trying to simultaneously meet urban and rural expectations.
Local Identity	Moderate 	If urban and rural populations imbalanced, minority may feel underrepresented in municipality. Legacy practices of major urban municipality may be pushed on new council.
Rural/Urban Collaboration	Good 	Different service/taxation expectations may result in some taxpayers subsidizing others. Inclusion of urban centre allows for development of common goals in areas such as economic development, provincial-municipal relations, etc.
Formation	Adequate 	Forming a new structure that overcomes the parochial practices of previous smaller municipalities, as well as a powerful large urban municipality, often a challenge.
Broad/External Impacts	Good 	Inclusion of rural, small urban and large urban municipalities ensures that no municipalities are excluded within a geographic area. Such a merger empowers new municipality with other levels of government.

⁸ Indianapolis/Marion County, Miami/Dade County, Kansas City (KS)/Wyandotte County, and, Nashville/Davidson County are examples of this structure.

Model 6a: Regional Planning and Service Boards

Municipalities may form regional service commissions under *Alberta's Municipal Government Act* to provide inter-municipal services. Most regional service commissions in Alberta and elsewhere concentrate on a single service with water, wastewater, and waste management as the most common. In 2013 there were 70 regional service commissions in Alberta, up from 40 in 2001. The commissions generally operate on a full-cost recovery basis.

While regional service organizations are an example of municipal collaboration to offer a service more effectively than could be performed by an individual municipality, they raise several questions. Are they accountable to provincial regulators, the municipalities that formed them, or to consumers? Political accountability is also complex, as municipal councils typically have limited interactions with the commissions yet are viewed by residents as responsible should the service not be provided adequately. If they operate on a full-cost recovery basis through user fees, should they be provided municipal revenues to expand their scope or upgrade their capacity? Although regional service providers are a viable option in some cases, they do result in many challenges related to accountability.

Model 6a Findings:

Criterion	Summary	
Finance	Moderate 	Dependant on funding from municipalities and/or user fees. Typically provide municipalities with limited financial control, as they operate with a high level of independence.
Governance and Accountability	Moderate 	Typically operate independently, with periodic budget/performance reports to councils. As they are not a government, they are not directly accountable to citizens.
Service Delivery	Good 	As purpose is to provide services that municipalities are unable to provide alone, service commissions perform well in this category. May be challenges meeting diverse service expectations across region.
Administration	High 	Typically include a high level of specialized knowledge related to services being delivered. Regional funding assures high capacity.
Local Identity	Adequate 	May forestall regional restructuring by offering improved efficiency in some services, but have no direct role in fostering local identity.
Rural/Urban Collaboration	Adequate 	May serve both urban and rural municipalities, but collaboration is limited to specific services.
Formation	Good 	Relatively easy to form if all municipalities are willing to participate and confident that they will realize a benefit through more efficient service delivery.
Broad/External Impacts	Adequate 	Have a limited impact on services or governance beyond service area.

Model 6b: Regional Contracting

As an alternative to a regional authority, some municipalities enter into contractual agreements with private-sector service-providers for services that the municipality on its own either will not or cannot deliver, whether due to capacity or cost. These contracts may involve a number of municipalities or a number of services. In some extreme cases in the U.S., municipalities contract out virtually all local and regional services, and maintain only enough employees to handle the day to day operations of a municipal administration office. This strategy can be based on either the ideology that the private or non-profit sector is best positioned to deliver municipal services, or due to a lack of capacity in small municipalities.

Model 6b Findings:

Criterion		Summary
Finance	Good 	Contracting out for services is only rational if the service is less expensive to provide through a contract than by using internal resources. Relying on contracts carries some risk, as there may be no way to reduce costs in the face of a budgetary crisis until the contract expires.
Governance and Accountability	Good 	Contracts should include requirements related to reporting obligations, customer-service standards, performance assurances, and so on. This ensures that the service provider is accountable to municipality. Citizens may be unable to express concerns directly to service providers.
Service Delivery	Good 	A supplier who serves many clients will invest in capacity and technology that no single municipality could expect to. However, similar to the finance section, if the contracted agent is not meeting citizen expectations, improving standards may be difficult until a contract expires.
Administration	High 	Unless they are very complex or their monitoring is difficult, service contracts are easily administered by municipal staff.
Local Identity	Adequate 	With a minimal municipal staff, direct relationships between a municipality and its citizens may be limited. It may be unclear to a citizen who is providing services.
Rural/Urban Collaboration	Adequate 	Contracting for services does little to address collaboration. In some cases, there may be an opportunity for multiple municipalities to contract a service provider.
Formation	Good 	Aside from establishing municipal needs and preparing quality contracts, there are limited barriers to contracting out services.
Broad/External Impacts	Adequate 	Contracting for services does little to address regional issues. In some cases, there may be an opportunity for multiple municipalities to contract a service provider.

Model 7: Municipal Confederation

In model 7 and model 8, municipal governments are divided into two tiers – one local and one regional. With this comes complexities relating to accountability, division of responsibilities, and political representation. The difference between model 7 and 8 is how responsibilities are distributed between the regional and local level of municipal government.

In model 7, the upper-tier (regional) municipal government is relatively limited, as it undertakes functions that local municipalities either do not or cannot deliver. To keep the upper-tier municipality from becoming more prominent, the lower-tier municipalities may contract for municipal services from the private sector. In some cases the upper-tier may not be a government at all, but rather one or more regional service boards delivering services using a utility format or under contract from the local municipalities, or through special provincial legislation.

Model 7 Findings:

Criterion		Summary
Finance	Good 	As the upper-tier is funded from a portion of the member municipalities' tax bases, there is stability in regional revenue. It may allow fiscally weak municipalities to have more of their services funded at the regional level.
Governance and Accountability	Moderate 	With multiple tiers of government, it may be unclear to citizens whether service is provided at the municipal or regional tier. There can also be challenges in balancing local and regional priorities.
Service Delivery	High 	Allows local municipalities to retain responsibility for most services while assigning services that may be best delivered regionally to the upper-tier. Local municipalities have the power to decide which services are provided by which tier.
Administration	High 	With two levels of government, both tiers have reduced responsibilities, and can better build expertise in areas for which they are responsible. As complex responsibilities are at the upper-tier, specialized employees can be hired.
Local Identity	Moderate 	Allows for municipalities to decide which services they provide or if they are offered through the upper-tier. A portion of the local tax base goes to the upper-tier, so residents may, at least in part, identify as regional citizens.
Rural/Urban Collaboration	Good 	Rural and urban municipalities both participate. Flexibility in how services are provided to municipalities in the federation will allow rural and urban to collaborate and ensure local needs are met through the confederation.
Formation	Adequate 	May be challenging when municipalities of varying sizes are involved. A major challenge is in developing a voting structure that balances representation by population with small municipalities having their voices heard.
Broad/External Impacts	Good 	Provides municipal leaders with a forum for discussing regional issues. Regional and long-term priorities can be set and acted upon without the delays and inaction that can be a feature of ad-hoc intermunicipal collaboration.

Model 8: Municipal Federation

In model 8, the upper-tier municipality is responsible for a range of costly municipal functions, as well as for setting land use planning policies and infrastructure plans that the local municipalities must observe. The role of the local municipality may be reduced to providing essential local services, such as community recreation, street-lighting, agricultural drainage, and tax collection, as well as providing input on local community planning and regulatory issues.

Typically, the formation of municipal federations involves direction from the provincial/state level of government, as municipalities are often reluctant to surrender many of their responsibilities to an upper-tier. As such, the municipal federation model is, in many cases, a temporary step towards the development of a single regional government.

Model 8 Findings:

Criterion		Summary
Finance	Good 	As the upper-tier is funded from a portion of the member municipalities' tax bases, there is stability in regional revenue. It may allow fiscally weak municipalities to have more of their services funded at the regional level.
Governance and Accountability	Adequate 	With most functions being provided by upper-tier, citizens may feel remote from their municipal government. They may feel that the local, lower-tier municipal government is not as influential in addressing their service issues.
Service Delivery	High 	Allows local municipalities to retain responsibility for some services while allowing services best delivered regionally to be the responsibility of the upper-tier.
Administration	High 	With two levels of government, both tiers have reduced responsibilities, and can build expertise in areas for which they are responsible. As the more complex responsibilities are at the upper-tier, specialized employees can be hired.
Local Identity	Adequate 	On occasion, the upper-tier/lower-tier dynamic can also lead to a political contest of wills between the mayors of lower-tier municipalities and the political executive and senior staff at the upper-tier municipal government.
Rural/Urban Collaboration	Good 	Rural and urban municipalities participate together. If the model allows for flexibility in how services are provided to municipalities within the federation, this will allow rural and urban to collaborate and ensure local needs are met.
Formation	Adequate 	Challenging when municipalities of varying sizes are involved, particularly in developing a voting structure that balances representation by population with small municipalities having a voice.
Broad/External Impacts	Good 	The creation of a strong upper-tier municipal government opens the door to much more attention to regional issues, along with the capacity and resources to pursue them.

Focusing Inward: Assessing Alberta's Municipal Models

In this section, the same criteria used to examine the generic models of municipal government have been applied to Alberta through an evaluation of the municipal district and specialized municipality models.

Model 9: Municipal District Model

Municipal districts (some of which are known as counties) are the overarching name for Alberta's rural municipalities. While considerable diversity exists among rural municipalities across Alberta, there are several common traits as well:

- All MDs are responsible for large geographic areas with relatively low population densities. In the Municipal Government Act, the majority of dwellings must be on plots of land above a certain size for a municipality to attain municipal district status.⁹
- Almost all MDs have smaller urban municipalities existing independently within their boundaries. In many cases, the municipal district collaborates with these small urban municipalities through cost-sharing, shared service delivery, or collaborative planning. However, no collaboration is required and the extent is locally determined.
- All MDs are responsible for major road networks. Despite having approximately 17% of Alberta's population, MDs are responsible for approximately 75% of Alberta's roads. Many of these roads link isolated residential and agricultural properties, or provide industrial access to the natural resources that power the growth of Alberta's economy. As such, road maintenance is a major priority and challenge for MDs.
- Many MDs host natural resource development. As discussed earlier in the study, this presents MDs with a unique source of industrial taxation revenue, but also significant expenses in maintaining infrastructure strained by high levels of industrial development.
- Most MDs include hamlets, which are small pockets of residential developments (in some cases similar to small villages) that do not have a separate municipal government, but are part of the MD. This can create challenges in having a rural municipality provide small areas with urban-level services.

The municipal district model is somewhat unique to Alberta, as it establishes much larger rural municipal units than other jurisdictions. This affords Alberta's MDs with greater ability to establish economies of scale, but presents other challenges relating to collaboration with small urban neighbours, as well as the need to engage regionally, as many MDs are so large that they are essentially a regional entity on their own.

⁹ *Municipal Government Act*, s. 78(a).

Model 9 (Municipal District) Findings:

Criterion		Summary
Finance	Good 	Good basic foundation, improved with provisions for urban (hamlet) and rural residents; issues with unequal match of non-residential, non-farm tax resources against responsibilities in some municipalities.
Governance and Accountability	High 	Transparent and responsive, with growing pattern of inter-municipal cooperation on service-delivery.
Service Delivery	Good 	Relatively low service levels, but matched by relatively low taxation levels and expected by rural residents. In some cases, there may be challenges in distinguishing rural and urban (hamlet) municipal service needs. No formal mechanism for regional service delivery, although inter-municipal collaboration is fairly common.
Administration	Good 	There is an established tradition of distinguishing politics from professional management; challenges to recruit and retain professional staff; and a need to rely on advisors for some municipal functions.
Local Identity	Good 	Existing structures good vehicles for respecting rural interests and recognizing needs of constituent urban communities (hamlets).
Rural/Urban Collaboration	Moderate 	Few formal mechanisms for land-use planning coordination with neighbouring jurisdictions.
Formation	Moderate 	In some cases, performance of existing structures could be improved with amalgamation of more small urban municipalities. There exist few statutory obstacles and considerable provincial encouragement for inter-municipal cooperation. Significant reluctance remains among both urban and rural governments to embrace structures that amalgamate rural and major urban centres.
Broad/External Impacts	Good 	Few incentives for municipalities to look beyond municipal borders, however voluntary collaboration is quite common. In some cases, there is an informal forum for regional discussions, but a more formal venue for discussing regional issues may be helpful.

Model 10: Specialized Municipality

The specialized municipality class is included in the MGA to accommodate situations where existing municipal classes do not meet the requirements of the area. The first specialized municipalities formed in Alberta were the Regional Municipality of Wood Buffalo (1995) and Strathcona County (1996). The MD of Mackenzie (now known as Mackenzie County) was designated a specialized municipality in 1999, the Municipality of Jasper in 2001, and the Municipality of Crowsnest Pass in 2008. Strathcona County, the home of Sherwood Park and adjacent to Edmonton, was formed in order to more widely disperse revenues from the petroleum processing facilities located within the County's boundaries. The RM of Wood Buffalo, which includes the urban service area of Fort McMurray, was created to meet the need of a booming resource development area by allowing for resource revenues accrued in the RM's rural areas to be used for urban development. Mackenzie County was formed in part to address governance challenges experienced by the previous municipalities that now form it. The Municipality of Jasper was established to serve the urbanized area of Jasper National Park. The Municipality of Crowsnest Pass amalgamated several towns and villages with a former improvement district in a relatively small area.

While the majority of the findings for this section focus on the RM of Wood Buffalo and Strathcona County because their combination of urban and rural areas are most relevant to the challenges faced by many of Alberta's municipalities, the Minister of Municipal Affairs can provide specialized municipalities with a number of different powers and limitations, depending on the character of the area and the reason for conferring specialized status. For example, the Municipality of Crowsnest Pass does not include separate urban and rural service areas, while the RM of Wood Buffalo does. In the remainder of this section, any reference to "specialized municipalities" will refer to Strathcona County and the RM of Wood Buffalo, unless otherwise noted.

While specialized municipalities have much in common with MDs, they are often afforded powers that allow them to better serve their unique mixture of citizens, and thus merit special attention due to the fact that they serve both urban and rural residents, and must essentially meet the needs and expectations of two distinct population groups. This carries with it unique challenges and responsibilities, but also provides specialized municipalities with resources, capacity, and opportunities for innovation that Alberta's traditional rural and urban municipalities may not have.

It is very important to note that although specialized municipalities rate fairly well in this study based on existing examples, their success is extremely context-specific, and the unique economic circumstances present in Strathcona County and the RM of Wood Buffalo are unlikely to be duplicated elsewhere in Alberta. In addition to having the economic prosperity to provide both urban and rural levels of services, the specialized municipality model has limited exposure to the merging of an MD with several small urban municipalities. In this circumstance, governance, collaboration, and service delivery may be much more complex and contentious due to competing demands. As such, it is important to consider local circumstances when evaluating whether the success of Strathcona County and the RM of Wood Buffalo can be duplicated elsewhere.

Model 10 (Specialized Municipality) Findings:

Criterion		Summary
Finance	Good 	Good basic foundation, strengthened by growing tax base and specific provisions for urban and rural residents/communities; non-residential, non-farm tax resources used to fund both rural and urban services. May face challenges meeting urban and rural needs in areas with limited tax base.
Governance and Accountability	Good 	Transparent and responsive, with growing pattern of inter-municipal cooperation on service-delivery. Special arrangements to represent specific urban and rural communities are both possible and widespread. May be challenging when multiple urban municipalities merge.
Service Delivery	Moderate 	Some challenges in distinguishing rural and urban municipal service needs; capacity to provide services on a regional basis by incorporating more urban centres; broader but still limited range and depth in service-delivery portfolio, but with fewer financial and mandate constraints.
Administration	Good 	Established tradition of distinguishing politics from professional management; capacity to recruit and retain professional staff. May be difficult to find administrators with expertise in urban and rural contexts.
Local Identity	Good 	Existing structures provide good vehicles for respecting rural interests and recognizing needs of constituent urban communities (hamlets). Statutory powers expand capacity to differentiate urban and rural needs and taxation, while sharing non-residential tax base.
Rural/Urban Collaboration	Good 	Few formal mechanisms for land-use planning coordination with neighbouring jurisdictions. Balance of representation with rural areas requires periodic review. Urban and rural interests reflected at the same decision-making table.
Formation	Moderate 	Special statutory powers make it easier to fashion model that meets needs of urban and rural constituents. No local ability to develop specialized status. Minister must determine that existing structures will not work for involved areas.
Broad/External Impacts	Moderate 	Urban/rural links within specialized municipality may decrease likelihood of looking beyond boundaries. Those within region that are left out of formation may face an imbalance in power.

Conclusions and Findings

This study does not determine the “best” municipal government structure for Alberta. In fact, no such determination is possible given the wide variation in local and regional circumstances. Following review and analysis, however, it is possible to arrive at a number of observations and findings related to Alberta’s current municipal structure, the validity of the various alternative models discussed in the study and broad observations on municipal restructuring.

Observations on Alberta’s Current Municipal Structure

The two main models of municipal government in rural Alberta – the MD and the specialized municipality – performed well against the eight criteria. Any move to alter the existing arrangements would need to demonstrate net benefits to all concerned. While each of the alternative models has positive aspects, none are clearly superior to the existing arrangements.

Where they work, practical measures and collaborative efforts can avoid unwanted institutional change. There are proven examples of working options that could be considered. In particular, every MD should promote and participate in a forum that allows the municipalities in a region to address issues of common concern. The daily volume of interactions between urban and rural municipalities and their residents suggests that there should always be a regional forum of some kind involving MDs and their urban municipal neighbours. This forum would be a vehicle for dealing with region-wide issues, like economic development, land-use and environmental planning, and facilities, programs and infrastructure serving the whole region.

Challenges to Alberta’s existing municipal structures lie in two areas. First, relations with neighbouring municipalities may favour bilateral negotiations between municipalities, rather than mutual problem-solving and resource-sharing as a regional community. Second, there are few incentives for municipalities to plan for or consider issues beyond their municipal borders, even in key areas like economic development or environmental planning.

The key consideration in examining local government reform options affecting rural Alberta is whether inter-municipal collaboration can be sustained in the face of the pressures faced by Alberta municipalities and the communities that they serve.

Observations on the Alternative Models Presented

Rural-urban segregation/annexation (model 1) only make sense as a model – and can only be sustained – if it reflects a true demarcation of rural and urban municipal interests. That also requires a recognition that municipal boundaries are not immutable and must change when circumstances change. But annexation (or amalgamation) is not a first resort. Efforts to plan jointly and to negotiate equitable cost-sharing on inter-municipal services should be a feature of any ongoing urban-rural municipal relationship.

Reorganizing municipalities based on self-contained labour areas (model 3) is only a viable option when the involved municipalities support the realignment. By their nature, SLAs take a high-level, regional view that tends to disregard local perspectives. Additionally, this type of reorganization is unlikely to be effective in Alberta, as the size of Alberta’s MDs are already much more aligned with, or in some cases even larger, than the province’s SLAs. As such, it would not be a simple case of amalgamating a number of small municipalities, but may require fundamental reorganization.

From among the generic models of municipal government described in this report, one might argue that model 4 (single-tier rural municipality) is very close to the structure of many existing MDs or, in other cases, the specialized municipality model.

If change is warranted, whether for local or regional considerations (e.g., to accommodate urbanization pressures), model 6 (regional board/contract) and model 7 (municipal confederation) appear to have much to recommend them. They may be marginally better than the other models, depending on the local and regional circumstances.

Depending on the nature of the arrangements negotiated, model 6 (regional board/contract) allows regional scope, control over the level of services, system redundancy/depth, and sharing of costs on terms that individual municipalities negotiate to their satisfaction, without losing ultimate control.

Model 7 (municipal confederation) allows local municipalities, including county municipalities, to pool tax resources to fund several functions and services where their scope or cost argue for a regional approach. At the same time, this model retains most of the tax base and political decision-making authority at the local level. It also allows smaller and more remote communities to choose (in the case of unincorporated communities) to be served from the upper-tier, rather than incurring the costs associated with running a local municipality on a modest tax base (a choice that is also available in several other governance models). Similarly, a smaller or space-extensive lower-tier municipality may arrange for local municipal services to be provided to the local municipality by the upper-tier municipality.

Observations on Municipal Government Restructuring

If municipal restructuring is to be seriously considered, it is important that it meet two basic tests. First, the model selected should be clearly superior to the existing arrangements, at least in the eyes of the majority. Second, the model selected should be the most appropriate, given the needs of the communities that it is to serve.

There are a number of measures that can protect the interests of the local community, including the cost and level of local services, without institutionalizing barriers to area-wide political decision-making, service-delivery and social integration.

Some sustainable level of community identity will survive any type of municipal structural change based on the vibrancy of community-service organizations and similar local groups. It is not necessary to preserve local community identity using municipal structure. It is necessary, however, to preserve voluntarism in the local community, irrespective of the municipal structure or model that is adopted.

There is merit in ensuring that both urban and rural residents (and their communities) feel adequately represented in their municipal government, even if the arrangements do not reflect pure representation-by-population. The arrangements should, however, not impede municipal integration in areas like service-delivery, corporate governance and efficient management.

Where collaborative arrangements do fail, there are a variety of models from which to choose. Each model of municipal government has its positive aspects and its drawbacks. Most of those options have the potential to preserve the best of local communities, responsive governance, and equitable taxation.

As part of any municipal reform, it is necessary to find effective ways to manage local community planning issues. Some institutional decision-making capacity may need to be maintained at the very local level, even if the scope of that decision-making authority is modest and does not extend to significant municipal services and infrastructure.

An annexation should not proceed unless it is seen by all municipalities involved as the correct solution based on principles established before the issue arises, through an intermunicipal development plan or other collaborative planning venture.

Appendix A: Criteria and questions used to analyze models

	Criteria	Description	Key Questions				
1	Finance (3)	Would an MD's fiscal position be improved/sustained?	How are municipal revenues collected and distributed?	To what degree are municipal revenues used at the local level? Regional level?	What expectations exist related to regional revenue sharing and/or cost sharing?		
2	Governance and accountability (5)	Would MD residents maintain a significant voice on both local and regional decisions?	How are decisions made at the local level? Regional level?	Does one of either local or regional priorities take precedence?	How is governance structured? What roles do elected/appointed officials play?	Is regional collaboration formalized? Voluntary? Issue-specific?	To what extent are citizens involved in local/regional decision-making processes?
3	Service delivery (4)	Would the range and quality of services in MD be sustained/improved?	Are residents generally satisfied with how services are delivered?	Are services delivered efficiently?	Are there challenges in delivering services in certain areas? Are some delivered more effectively than others?	Are service delivery responsibilities contracted out to the private sector, or delivered by municipal (or regional) employees?	
4	Administration (3)	Would the cost and capacity of professional management be better?	How are plans related to asset management, service delivery, etc. executed?	How do municipal (or regional) staff balance local and regional priorities?	Are regional projects undertaken by municipal staff?		
5	Local identity (4)	Would local community identity be preserved?	Are residents satisfied that their needs are being addressed?	To what extent are municipal councils involved in regional decision-making?	To what extent do residents feel a sense of pride in their community?	Are residents more concerned with access to elected officials or with efficient provision of services?	
6	Rural and urban collaboration (4)	Would the interests of MD residents be protected?	Does the model serve urban and rural needs equally? If it better serves one type, why?	Is regional collaboration required? Encouraged? Discouraged? Impossible?	Is service delivery equally effective in both urban and rural areas?	Do rural areas receive proportional political representation? Is this fair?	

7	Formation (3)	How difficult would implementation be?	What is the process to form and dissolve?	What role/input do citizens have in formation or dissolution?	Is formation a local decision or dictated by other levels of government?		
8	Broad/External Impacts (6)	Are 'regional' economic and service issues more likely to be adequately addressed?	Does the model allow for a municipal unit to be formed that excludes certain geographical or service delivery areas?	Are existing local government structures impacted?	Are regions on the geographic periphery of a municipality less likely to be involved in decision-making? Receive economic benefits?	Does the model encourage centralization within a municipal unit?	Does the model allow for 'remnant regions' – areas that are excluded from the municipal unit and struggle to remain viable as a result?

Criterion 1 – Finance

Any alteration in municipal structure will result in two changes: the base on which taxes are levied will change, and the level of taxation and utility rates imposed on that new tax base will change. Sharing the tax base over a broader area may increase equity across the region served by the municipalities involved. It can also enable residents and businesses in the region to finance regional services that are now necessary or previously viewed as unaffordable.

Sharing a tax base may result in residents and businesses in one municipality experiencing an increase in taxation to finance municipal expenditures. This may occur because territory is added or merged with a municipality with a weak tax base. It can happen when rural taxpayers are asked to share in the cost of a higher level of urban programs and services. It can also occur when rural municipalities are required to fund the cost of an extensive network of roads and other costly space-extensive services from a modest agricultural assessment base. This inequity increases if the rural non-residential tax base is reduced or shared by urban municipalities as a result of governance changes.

The best models ensure differential urban and rural taxes and rates and that both regional and local services receive financial support from all taxpayers in a non-discriminatory fashion. Finally, the best governance models protect municipalities from unsupportable debt burdens or measures that would undermine economic competitiveness.

Criterion 2 – Governance and Accountability

The second test of a governance model is its success in balancing regional priorities with decisions that preserve and protect local interests. In some cases, a greater degree of integration and coordination between municipalities and communities will be a matter of economic or service necessity. In other cases, the priority will be to preserve a degree of local autonomy in determining the level of services and the willingness to pay. This may mean that joint efforts on regional programs and services are cooperative and voluntary, rather than compulsory. It may also allow individual choice, so that some will decide to participate, and others can opt out.

Criterion 3 – Service Delivery

While municipalities are governments, legislating and regulating within their communities, for many people the test of a municipality is the effectiveness of its delivery of services and programs. This can be a difficult judgment, as there is a considerable range in type and quality of municipal services: roads may be well maintained, but water systems may be obsolete. Quality may be adequate, but cost may be out-of-line with neighbouring municipalities.

The test of a model's ability to meet service expectations can be simply a "customer-service" test. It can also be a matter of ensuring that the service or program is delivered in a way that ensures efficiency, economies of scale, security and redundancy in case of emergencies. Judging the service criterion may include deciding whether services and facilities are well matched to community need, whether they can be delivered best on a regional or local basis, and by municipal staff or by a private or non-profit contractor.

Criterion 4 – Administration

Closely related to the service delivery criterion is the evaluation of a model's ability to attract and retain professional staff to meet the demands of being both a government and a service-manager. While good staff are found in all municipalities, some models may make it easier to meet the demands of contract-administration, financial management, service-related engineering, or recreational programming.

A major consideration is the ability to administer service-delivery systems and to manage land-use planning and development approval processes. In large part, land-use planning is a key to the future success of any community.

A governance model needs to support an administration with the scope, talent and processes to manage land-use planning and service-delivery issues, both local and regional. There is a corresponding need for the model to attract elected representatives who are in a position to provide leadership and direction to professional staff.

Criterion 5 – Local Identity

To many, a local community's identity is closely linked to its municipal government structure. While this may not be a necessary connection, it is a commonly held view, especially among residents of rural, suburban, and small urban communities. However, keeping municipalities small to preserve identity may undermine quality of life in those communities, as well as the health of the larger region. Small scale and limited resources may make some services unaffordable, or require disproportionate expenditures to provide them. As noted under the administration criterion, it may also deny residents the professional expertise that supports good government and quality services.

The test of the local identity criterion is whether a model can support a strong sense of identity and voluntarism while organizing and delivering municipal services in a way that benefits from economies of scale, greater capacity, and the resources of a broader tax base. This can be addressed in a variety of ways, ranging from the format of political representation to support for programs that recognize and enhance local communities. Do residents and businesses have access to elected representatives who will advocate their interests? Are the community's elected representatives able to influence decision-making and the allocation of resources at the broader, regional level?

Criterion 6 – Rural and Urban Collaboration

Much of the tension in Canada's municipal history has revolved around reconciling rural and urban interests, existing together in the same economic and social region. There are also many examples of collaboration between rural and urban municipalities. Some of this collaboration is based on inter-municipal agreements for cost-sharing or service delivery. Some programs, facilities or services are coordinated on behalf of municipalities by a public authority or private

service-provider that serves the region. Some collaboration takes the form of a joint approach to land-use planning, economic development, or the planning and construction of physical services infrastructure.

The test of this criterion is whether a governance change makes it more difficult for rural residents to enjoy the services and programs that meet their needs, and often, the option to forego the cost of services that are more suitable for urban residents and businesses. Again, this may be a matter of political representation, area-rating for municipal services, and/or measures to reduce land-use conflicts between rural and urban areas. However, it is important that the effort to protect the interests of rural residents and businesses not come at the expense of necessary regional initiatives to serve the wider population. A capacity to opt-out or demarcate urban from rural is positive; the ability of rural or urban municipalities to frustrate worthwhile regional initiatives is not.

Criterion 7 – Formation/Implementation

The issues that give rise to debates about municipal restructuring vary widely, but the pattern is less varied. Governance changes can be contested, or mutually supported. Governance solutions may be generated voluntarily, or they may be imposed. The public expects to play a prominent role in the debate about the direction of their community. In some instances, the law or the process requires public engagement.

The tactics used by one or more of the municipal parties may often influence the resolution of an inter-municipal governance issue. Choices may also be reduced by the limitations of legislation. A particular model may invite or avoid provincial intervention. If the local debate is acrimonious, there may be a political incentive to “put the issue behind us” rather than craft the best solution for the communities involved. These factors combine to require an assessment of the degree of difficulty associated with gaining support for, and implementing, a particular model.

Criterion 8 – Broad and External Impacts

Gauging the merits of a model should not be confined to the narrow range of issues on which the choices are often presumed to depend, such as taxes or services. The success of municipal government can materially affect local and regional economic, social and environmental conditions.

A self-serving governance option may address the needs of one party, but result in fiscal or operational challenges for others. For example, in the criteria imposed on municipal governance negotiations in Manitoba and Ontario, minimum preconditions were specified. In Manitoba, a minimum population target was established for the successor rural municipalities. In Ontario, municipalities were discouraged from creating irregular municipal boundaries, especially those that isolated small municipalities from their consolidating neighbours – creating the “hole in the doughnut” phenomenon. Annexing municipalities are often discouraged from creating boundary adjustments that would leave a residual rural municipality without resources to be sustainable. Rural municipalities are likewise discouraged from retaining fringe development that depends on service-extensions by their urban neighbours.

In other cases, where the priorities may be coping with a fast-growing regional economy or a boom in residential development, municipalities need to find ways to make region-wide decisions. This might happen either through a geographically larger municipal structure of some kind, or by finding other means to cooperate on the planning and financing of growth pressures. Correspondingly, if a region is experiencing a decline in its economy and its population, there may be need to consolidate the municipal structures in the region, so as to reduce costs and share the fiscal burdens of keeping municipal facilities and services operating, and promoting revitalization efforts.