



Alberta's Rural Municipalities: Unique Size, Unique Responsibilities

RMA Member Resource

December 2021

Introduction

Alberta's municipalities rely on the province for a large portion of their revenues. Grant programs like the Municipal Sustainability Initiative and Strategic Transportation Infrastructure Program provide crucial funding for the rural infrastructure that drives Alberta's economy and delivers municipal services to rural residents.

In recent years, there have been increasing calls from some that Alberta's municipalities overspend compared to those in other jurisdictions, and that provincial grant support of municipalities is excessive. Many of these calls come from those lacking an understanding of the uniqueness of Alberta municipalities compared to others in Canada. One of the most notable recent uses of these comparisons (which is addressed in this report) is the [Blue Ribbon Panel on Alberta's Finances](#) (better known as the "MacKinnon Panel").

This resource is intended to be used by members to help educate the public and other stakeholders on the important role that Alberta's rural municipalities play in supporting the province's economy. As municipalities continue to face increased downloads, reductions in taxation and revenue-generating tools, and calls from other levels of government to reduce spending and taxation, this resource will be crucial in providing a fuller picture of the importance of rural municipalities and the risks of comparing municipalities across jurisdictions.

The resource includes two sections:

- ♦ Alberta's rural municipalities: large and in charge!
- ♦ Comparing apples to oranges: the trouble with municipal comparisons

Alberta's Rural Municipalities: Large and In Charge!

If Alberta's rural municipalities are unique in Canada, the obvious follow-up questions are "how so?" and "so what?" Answering the "how so" question is straightforward: Alberta's rural municipalities cover a huge amount of land compared to municipalities elsewhere in Canada, both collectively and on a per-municipality basis. Rural municipalities also cover land in geographic areas that have a far smaller municipal presence in other provinces, such as the north.

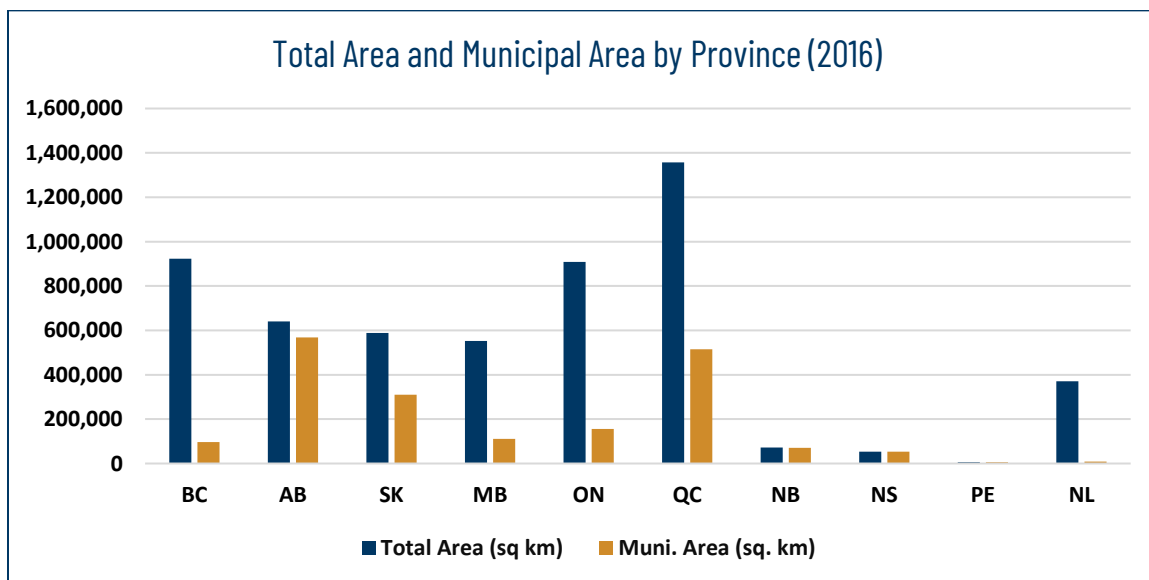
Answering the "so what" question is more complicated. To consider why the geography of Alberta's rural municipalities is so important in framing evaluations of how they are funded and how they spend, it is important to keep in mind that municipalities don't just "cover" land— they provide important services and infrastructure to residents and industry. If municipalities provide services to large, sparsely populated areas with high levels of industrial activity, their spending and servicing decisions will be informed by very different factors than those in towns and cities, where people are the most obvious service users. For this reason, common comparison tools (such as per capita comparisons) don't work for Alberta's rural municipalities.

Answering the big questions

If the size of a municipality is a factor in the type and cost of the services it delivers, the first order of business is to consider where Alberta's rural municipalities fit in terms of size within Canada. The short answer to this question: they're really big! Let's look at this in a few ways.

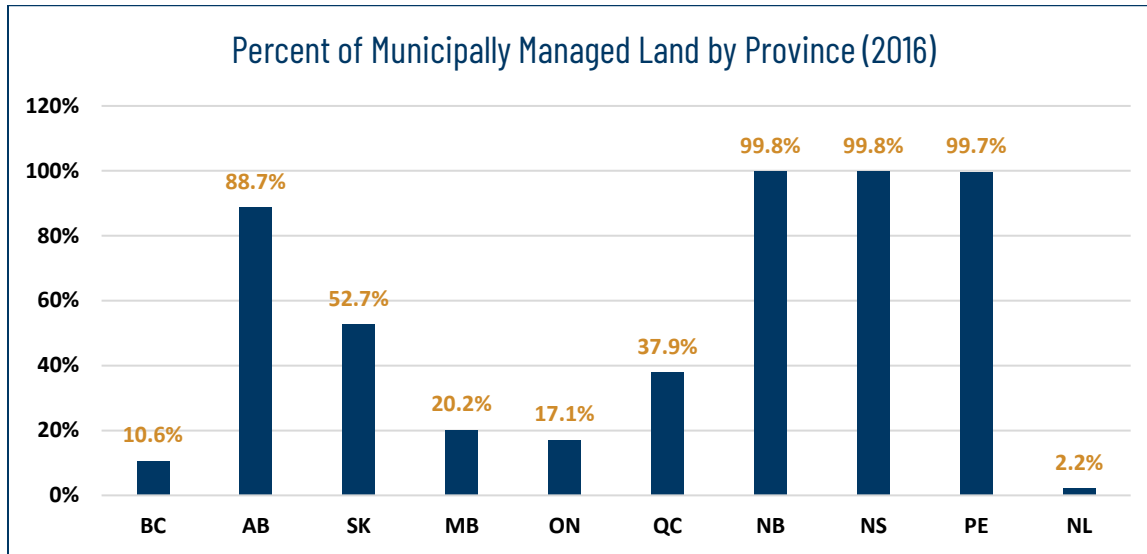
The overall amount of land managed by municipalities in Alberta is more than any other province. Even British Columbia, Ontario, and Quebec, which cover a larger overall area than Alberta, have less land managed by municipalities.

Chart 1.0



Looking at this another way, Alberta's municipalities manage a higher portion of land than municipalities in any other province, aside from the Maritime provinces, which are not relevant comparators due to their much smaller overall size.

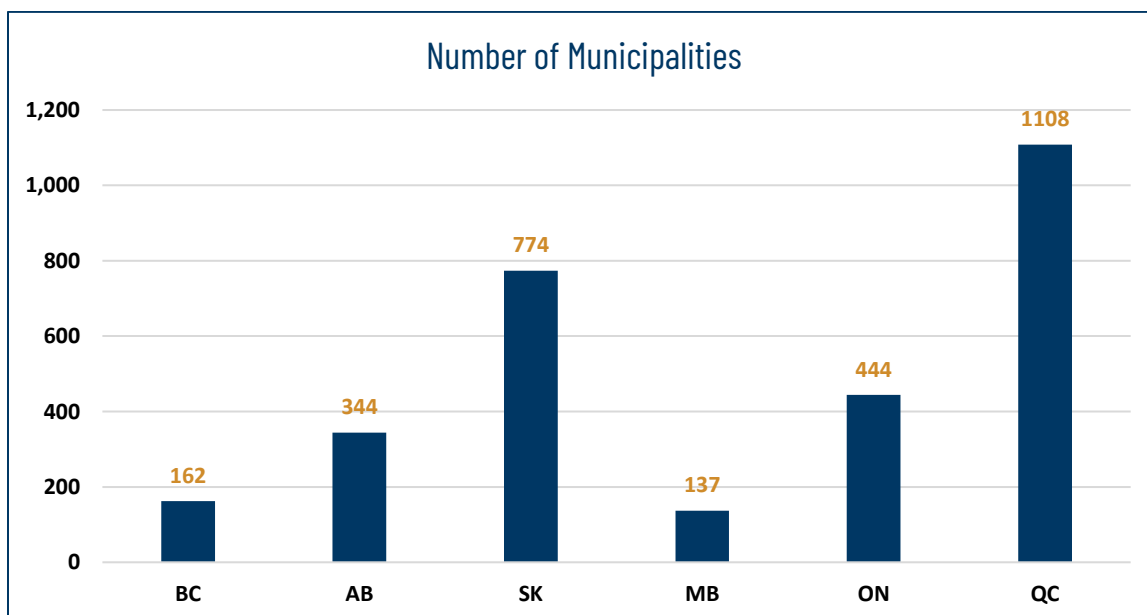
Chart 1.1



The next section will get into the reasons why Alberta has such a high level of municipally-managed land, and why this is important for inter-provincial comparisons. For the time being, consider that the land not managed by municipalities in provinces like British Columbia, Manitoba, and Ontario is primarily rural and located in the far north. This type of land brings with it major service delivery challenges, and only in Alberta is that challenge assigned fully to municipal governments.

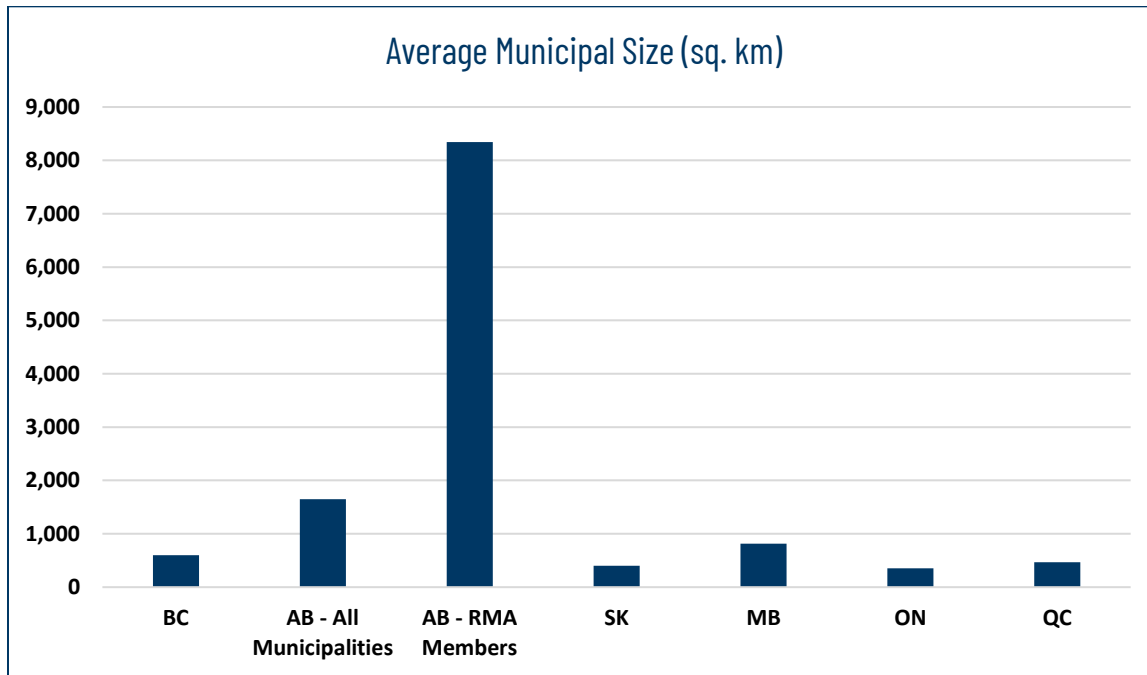
Now that we understand how much more land Alberta's municipalities cover than those in other jurisdictions, let's break things down by municipality. The comparisons below have removed the Maritime provinces as they are much smaller geographically than the provinces included in the comparison. With that being said, let's first consider how many municipalities exist in each province:

Chart 1.2



As far as the number of municipalities, Alberta lands somewhere in the middle, with 344. These numbers don't mean much in isolation, but take on an important new meaning when we add the overall land mass managed by municipalities in each province to come up with an average municipal size.

Chart 1.3



Wow! While Alberta's overall average municipal size is the highest among comparator provinces, Alberta's rural municipalities are in a league of their own, with an average size of over 8,000 square kilometres.

Before getting into what this means, let's look at some of the reasons as to why this is the case.

We the north

If Alberta's municipalities are providing services to such a high portion of the province's land mass compared to municipalities in other jurisdictions, what is driving this difference? Part of the answer to this question is found in the northern portions of each province.

Aside from the Maritime provinces, the northern portions of all provinces in Canada (including Alberta) have some basic similarities: lower populations and population densities than the southern parts of the province, economies primarily associated with resource extraction and development, and few major population centres.

What is also common in all provinces except Alberta is that municipalities have a reduced presence in the north, or none at all. Other provinces rely on a combination of direct provincial control, regional governments, and municipalities to provide local services to northern residents and industries. Only Alberta relies entirely on municipalities to serve this function. Let's take a quick trip across Canada to compare provincial norths.

Comparing Provincial Norths: Newfoundland and Labrador

SIZE AND CHARACTER OF “NORTH”	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Labrador is considered the “north” of Newfoundland and Labrador. ◆ Despite covering about 2/3 of Newfoundland and Labrador’s land mass, Labrador is home to only 8% of the province’s population. 	<ul style="list-style-type: none"> ◆ The province provides some local services within local service districts (LSDs). ◆ LSDs are only formed in cases where residents petition for their creation. In cases where LSDs are not present, it is assumed that the province provides all services. 	<ul style="list-style-type: none"> ◆ Labrador is comprised of municipalities, Inuit community governments, and LSDs. ◆ Municipalities follow a council structure. ◆ Inuit community governments use a self-governance model with a similar structure to municipalities, with a president and members elected by the community’s population. ◆ LSDs are scaled back versions of municipalities, consisting of a 5 – 7 person elected committee. ◆ LSDs may only provide services in these areas: <ul style="list-style-type: none"> ○ Water supply ○ Sewer systems ○ Fire services ○ Garbage collection ○ Street lighting ○ Animal control ○ Snow clearing / maintenance of some roads. ○ There are 174 LSDs in the province.

Comparing Provincial Norths: Quebec

SIZE AND CHARACTER OF “NORTH”	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Considered to be nearly any region of north of the Gatineau-Quebec City corridor. 	<ul style="list-style-type: none"> ◆ The Nord-du-Quebec administrative region is the only one of Quebec’s 17 administrative regions without a centralized seat for a regional conference of elected officials. As there are no large urban centres in the Nord-du-Quebec administrative district, it is divided into subregions with localized regional conferences. ◆ Within the Nord-du-Quebec administrative district are three territories equivalent to a regional county municipality. It is unclear how provincial administration and service delivery interacts with these territories in this large and sparsely populated area. 	<ul style="list-style-type: none"> ◆ In addition to the regional governments, the Nord-du-Quebec administrative district includes four independent cities, nine Cree villages, and one First Nations reserve. Several communities also exist within the territories. ◆ The territorial governments appear to be responsible for providing services within most of the small communities. It is unknown which services are delivered locally and which are delivered regionally.

Comparing Provincial Norths: Ontario

SIZE AND CHARACTER OF "NORTH"	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Comprises the districts of Parry Sound and Nipissing and all areas to the north. ◆ Covers 88% of land mass, but only 6% of population. ◆ Often subdivided into northeastern and northwestern Ontario. 	<ul style="list-style-type: none"> ◆ Province maintains nine districts comprising rural areas of northern Ontario. Most services in districts are provided by the province. ◆ Some unincorporated communities within districts have local service boards. ◆ Districts comprise 96.4% of the land mass of northern Ontario. 	<ul style="list-style-type: none"> ◆ Includes 144 municipalities. ◆ Nine cities ranging in population from 7,749 to 161,531. ◆ Municipalities provide various levels of local services in more populated areas.

Comparing Provincial Norths: Manitoba

SIZE AND CHARACTER OF "NORTH"	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Different definitions of Manitoba's "north" exist. Manitoba Indigenous and Northern Relations uses a particular township as its north-south border, Travel Manitoba uses the 53rd parallel, and the Look North economic development agency uses census divisions. ◆ Based on Look North's definition, northern Manitoba comprises 67% of the province's land mass and 7% of its population. ◆ All definitions assume that over half of the province's area comprises the "north." 	<ul style="list-style-type: none"> ◆ Outside of municipalities, "communities," and "settlements" in northern Manitoba, the Ministry of Indigenous and Northern Relations provides service and governance functions in the region, as per the Northern Affairs Act. 	<ul style="list-style-type: none"> ◆ The municipal role in Manitoba's north varies by community size. Northern cities such as Flin Flon and Thompson are governed under their own acts, similar to cities like Winnipeg and Brandon. ◆ Smaller northern population centres are designated as "communities" or "settlements" under the Northern Affairs Act. Communities have similar powers to municipalities, including the formation of an elected council and the power to pass and enforce bylaws. Settlements have few powers. There are roughly 50 communities in northern Manitoba.

Comparing Provincial Norths: Saskatchewan

SIZE AND CHARACTER OF "NORTH"	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ The City of Prince Albert is commonly viewed as the gateway to northern Saskatchewan. 	<ul style="list-style-type: none"> ◆ The provincial government is responsible for the Northern Saskatchewan Administration District (NSAD). ◆ NSAD covers approximately 50% of Saskatchewan’s land mass but only 4% of its population. ◆ The NSAD is considered a single municipality and covers all northern settlements, resort subdivisions, and unincorporated areas. ◆ The Minister of Government relations serves as the “council” for the NSAD, with the Northern Municipal Services division of the Ministry of Municipal Affairs acting the local government authority. 	<ul style="list-style-type: none"> ◆ Northern municipalities are incorporated under the Northern Municipalities Act. Each northern municipality is formed under a ministerial order. ◆ The main difference in northern municipalities is that each municipality consists of an elected council responsible for service provision as well as an elected advisory committee that reports to the Minister of Government Relations to provide for the health and safety of the municipality’s residents in areas such as type and level of municipal services, land development and zoning, borrowing, and tax policy. ◆ There are 25 northern municipalities: <ul style="list-style-type: none"> ○ Two towns ○ Eleven villages ○ Eleven hamlets ○ NSAD

Comparing Provincial Norths: Alberta

SIZE AND CHARACTER OF “NORTH”	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Various definitions exist, with some considering Edmonton as part of northern Alberta although it is in the southern half of the province. ◆ The Northern Alberta Development Council defines the north-south boundary as running east to west just north of Hinton, Edson, Mayerthorpe and Westlock. ◆ AHS’s north health zone has a more southerly boundary, and includes Jasper, Hinton, Edson, and Mayerthorpe. 	<ul style="list-style-type: none"> ◆ The Government of Alberta does not play a unique service delivery or administrative role in northern Alberta. 	<ul style="list-style-type: none"> ◆ Northern Alberta includes the same combination of municipal types found elsewhere in the province. ◆ Some unique governance aspects of northern Alberta include two large specialized municipalities: the RM of Wood Buffalo and Mackenzie County. These municipalities combine urban centres with very large rural areas under one governance function to an extent not found elsewhere in the province. These examples speak to the unique governance and servicing challenges associated with municipalities in the sparsely populated north.

Comparing Provincial Norths: British Columbia

SIZE AND CHARACTER OF “NORTH”	PROVINCIAL ROLE	MUNICIPAL ROLE
<ul style="list-style-type: none"> ◆ Travel British Columbia identifies northern BC using an east to west line roughly between Quesnel and Prince George in the east, and Bella Coola and Prince Rupert in the west. ◆ BC’s Northern Health boundaries include a larger area, with Valemount and Quesnel considered north. 	<ul style="list-style-type: none"> ◆ BC’s regional district system covers the entire province’s land mass, so all areas of the province have some level of local / regional governance. ◆ In northern regional districts, many of the areas are unincorporated. In these areas, there is no local government, but residents (divided based on census subdivisions) elect representatives to participate on the regional district board. ◆ One exception is the Stikine Region in northwestern BC. It is unincorporated with no local or regional governments which is administered by the provincial government. Despite comprising roughly 10% of BC’s landmass, the Stikine Region has a population of only 740. 	<ul style="list-style-type: none"> ◆ Northern BC includes a number of mainly urban municipalities, such as Prince George, Prince Rupert, and Dawson’s Creek.

While other provinces have adopted complex northern governance structures as an alternative to municipal support, Alberta has taken the opposite approach. Alberta’s approach brings with it both opportunities and challenges. On one hand, northern Albertans have the same direct say in how their local services are funded and delivered as those in large cities. On the other hand, municipalities in northern Alberta have access to the same (limited) revenue tools as municipalities elsewhere. Unlike Ontario’s districts or Saskatchewan’s NSAD, which can access provincial revenues generated from all areas of the province to provide basic administrative and service functions in the north, Alberta’s northern municipalities must provide services in large areas with a small population, limited local tax base, and the same access to provincial and federal grants as other municipalities.

Living single (tiered)

Another aspect of Alberta’s municipalities that contributes to their large size and unique responsibilities is their single-tier structure. Across Canada, municipal structures tend to fall into one of two categories: single-tier and dual-tier. Single-tier structures consist of simple municipal boundaries; there is no overlap in boundaries and a given area is represented by a single municipality only. This structure is used in Alberta, as well as Saskatchewan, Manitoba, Quebec, and the Maritime provinces. Dual-tier municipal structures consist of multiple “levels” of municipalities existing in the same space, with lower-tier and upper-tier municipalities serving different functions and providing different services. Typically, an upper-tier municipality will consist of several lower-tier municipalities from within a common region. British Columbia and Ontario use a dual-tier approach.

Although Alberta is not unique in its use of single-tier municipalities, Saskatchewan, Manitoba, and Quebec only use this approach in the southern half of the province. As the last section explained, these provinces modify, reduce, or eliminate the municipal role in the north, so their single-tier approach mainly applies to more populated southern areas.

Comparing Alberta to the two municipalities that use a dual-tier approach is challenging. The presence of upper-tier municipalities in Ontario and British Columbia distort comparisons in areas such as service delivery and municipal funding since both revenues, grant funding, and service costs and responsibilities are shared among tiers.

The table below compares tiers in Alberta, British Columbia, and Ontario:

	ALBERTA	BRITISH COLUMBIA	ONTARIO
Lower-tier municipalities	0	162	241
Upper-tier municipalities	0	27	30
Single-tier municipalities	344	0	173

In Alberta, the local municipality is responsible for all services. In Ontario, individual upper or lower tier municipalities are often assigned services on a case-by-case basis. In British Columbia, the services provided by the upper-tier municipality is determined by the regional board, comprised of the lower-tier municipalities in the region.

The table below shows services commonly delivered through upper tiers:

Ontario	British Columbia
Highways and transportation	Water supply
Sewage treatment and collection	Sewers
Storm water and drainage	Fire protection
Water production, treatment, and storage	Parks and recreation
Culture, parks, recreation, and heritage	Solid waste management
Drainage and flood control	Economic development
Economic development	Animal control
	Public housing
	Emergency services
	Airports

Although upper-tier municipalities are not used in Alberta, intermunicipal collaboration is still common. Recently, all Alberta municipalities have completed intermunicipal collaboration frameworks (ICFs) with municipal neighbours. With few exceptions, all municipalities with a shared border completed an ICF with one another. ICFs require municipalities to discuss the possibility of providing certain services jointly. Municipalities are not required to collaborate for any services if each agree that separate service delivery approaches are preferred. ICFs may address any service that the municipalities agree benefits residents in each municipality.

Within Alberta’s voluntary collaboration model, rural municipalities often play a role similar to upper-tier municipalities in Ontario and British Columbia. Rural municipalities may provide financial and / or operating support to smaller urban municipalities in the region to offer regionally-relevant services as efficiently as possible and to support the viability of the small urban municipalities. The difference is that rather than having an additional level of municipal government, this collaboration takes place on a localized and as-needed basis, allowing for regional service delivery when it makes sense, without the costs and complexity of overlapping administrations.

Comparing apples to oranges: the trouble with municipal comparisons

Rural municipalities in Alberta look very different from those elsewhere in Canada. Given these differences, how can the performance of Alberta’s rural municipalities be meaningfully compared to those in other provinces, or to other types of municipalities within Alberta? The short answer is that it can’t. However, that has not stopped repeated attempts to make such comparisons.

These types of comparisons fall into two categories:

- ◆ Those focusing on municipalities within Alberta. These commonly compare the performance of rural and urban municipalities.
- ◆ Those focusing on municipalities in multiple provinces. These commonly compare the performance of all Alberta municipalities with all municipalities in one or more other provinces. Due to the uniqueness of Alberta’s rural municipalities and the measures chosen, Alberta often appears as an outlier in these comparisons.

Unfortunately, these comparisons often seem compelling and can drive concern among citizens that taxes are too high and that their municipality operates inefficiently. In reality, most of these comparisons lack the information to consider why fiscal performance may differ in municipalities both within Alberta and across provinces. Let’s consider one example of each of the comparison types listed above to better understand.

Case Study 1 - Canadian Taxpayers Federation: 2020 Alberta Municipal Spending Report

Each year, the Canadian Taxpayers Federation (CTF) conducts a municipal spending report intended to compare the amount spent by municipalities on a per person basis in the previous year. According to the CTF, “taxpayers can use this report to see how much their municipal governments are spending per resident, which is proxy for the overall tax burden to fund the municipal government, and compare their municipal governments with similar cities and towns in Alberta.”

If you’ve read this report up to this point, you’re likely wondering how spending per resident can serve as a proxy for overall tax burden when there are so many differences among Alberta municipalities and the factors that drive their spending. If so, that’s a great question and one we will explore by breaking down the 2020 version of the [CTF Alberta Municipal Spending Report](#). The intent of this exercise is to show how misleading the results of overly-simplistic comparisons of municipalities within Alberta can be.

Population: Is that all there is?

Before getting into specific comparisons in the report, the first warning sign that those drafting the report either do not understand or do not care about the subtleties of municipal types in Alberta is the categorization of municipalities. The report divides municipalities into the following three categories:

- ◆ Big cities (population 30,000+)
- ◆ Medium-sized municipalities (population 5,000 – 30,000)
- ◆ Small towns (less than 5,000)

While this breakdown is straightforward and easy to understand, it quite simply is irrelevant as it does not align with differences in municipal type, as defined in the *Municipal Government Act*.

While population could certainly be one factor in how to categorize municipalities for the purposes of comparison, it is far from the only one. The primary factor that should be used to categorize municipalities is municipal type. Using municipal type has several advantages:

- ◆ The Government of Alberta divides much of their data by municipal type, making it easily accessible.
- ◆ Municipal types consider a combination of population and density.
- ◆ Rural municipalities have a wide population range but all have low population densities and high levels of industrial activity that drive their service costs. Ensuring these types of municipalities are in their own category avoids unfair and misleading comparisons to urban municipalities.

Breaking down the data

Based on the issue with relying strictly on population to categorize municipalities, as well as population to evaluate spending, it is not surprising that rural municipalities dominate the list of municipalities spending the most per person in the “medium-sized municipalities” and “small towns” categories. Only one rural municipality (Rocky View County) exceeds the population threshold to be included in the “big cities” comparison, along with two specialized municipalities with both urban and rural areas. As such, we will focus on the medium-sized and small towns categories.

As a first step, let’s look at the top 20 biggest spenders in each category according to the CTF:

Medium-Sized Municipalities (5,000 – 30,000)

RANK	MUNICIPALITY	MUNICIPAL TYPE	SPENDING PER PERSON
1	MD of Greenview	Rural	\$14,911
2	Yellowhead County	Rural	\$6,177
3	Lac la Biche County	Rural	\$6,088
4	Kneehill County	Rural	\$5,358
5	County of Vermilion River	Rural	\$5,321
6	MD of Bonnyville	Rural	\$5,290
7	Leduc County	Rural	\$5,253
8	Banff	Urban	\$5,008
9	Lacombe County	Rural	\$4,722
10	Wheatland County	Rural	\$4,488

11	Clearwater County	Rural	\$4,459
12	County of Grande Prairie	Rural	\$4,337
13	County of Stettler	Rural	\$4,199
14	County of St. Paul	Rural	\$4,198
15	Brazeau County	Rural	\$4,184
16	Canmore	Urban	\$4,120
17	Cypress County	Rural	\$4,116
18	Red Deer County	Rural	\$4,050
19	County of Newell	Rural	\$4,021
20	Drayton Valley	Urban	\$3,954

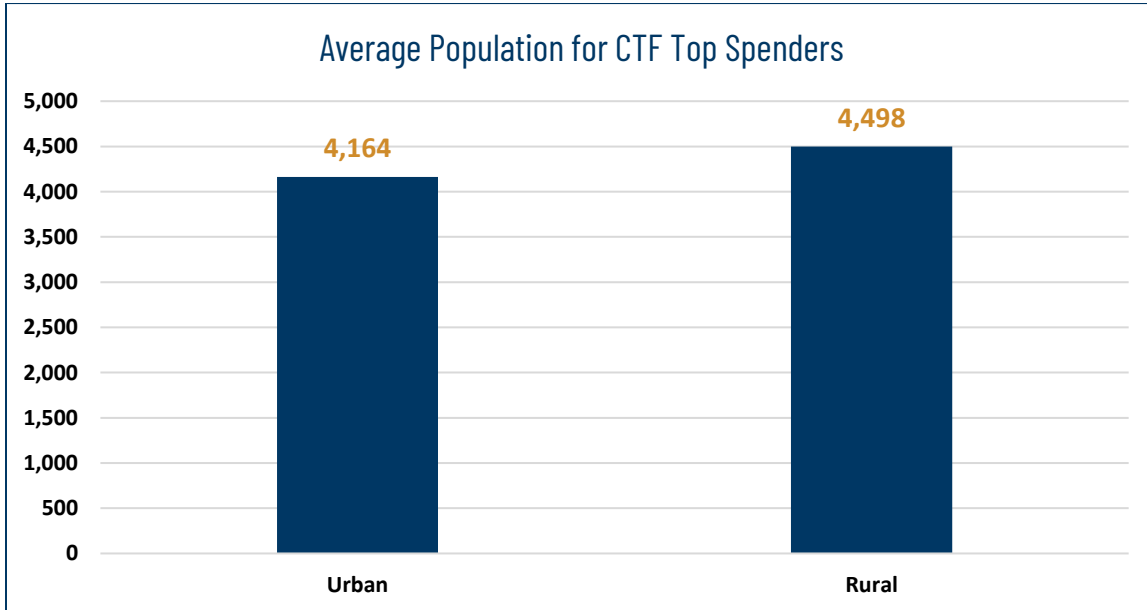
Small Towns (less than 5,000)

RANK	MUNICIPALITY	MUNICIPAL TYPE	SPENDING PER PERSON
1	MD of Ranchland	Rural	\$23,151
2	MD of Opportunity	Rural	\$22,013
3	Northern Sunrise County	Rural	\$16,964
4	Saddle Hills County	Rural	\$15,582
5	Special Areas Board	Rural	\$10,958
6	Valleyview	Urban	\$9,301
7	Gadsby	Urban	\$8,975
8	MD of Provost	Rural	\$8,883
9	Starland County	Rural	\$8,267
10	MD of Lesser Slave River	Rural	\$8,241
11	Big Lakes County	Rural	\$8,122

12	MD of Wainwright	Rural	\$7,671
13	MD of Bighorn	Rural	\$7,456
14	Nampa	Urban	\$7,254
15	Rainbow Lake	Urban	\$7,166
16	County of Paintearth	Rural	\$7,015
17	MD of Spirit River	Rural	\$7,008
18	MD of Smoky River	Rural	\$6,995
19	Smoky Lake County	Rural	\$6,823
20	Edberg	Urban	\$6,668

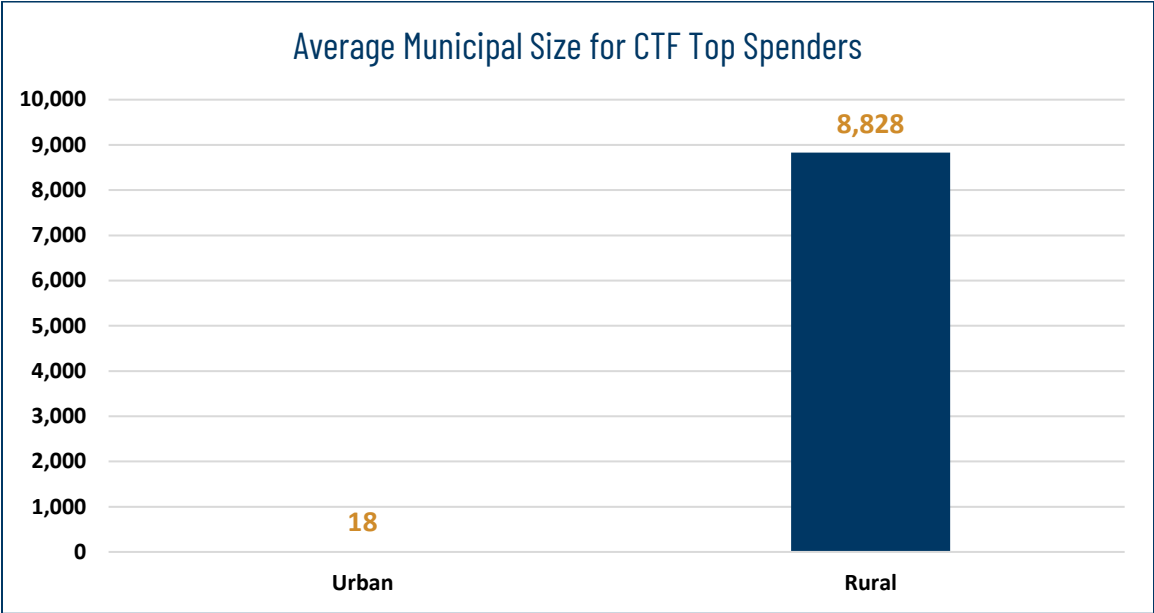
Clearly the list of big spenders is dominated by rural municipalities. But why? As the CTF report gives no analysis as to what drives different spending in different municipalities, it is worth diving into it ourselves. First off, let's look at the average population among the 32 rural and eight urban municipalities in the high spender categories.

Chart 1.4



In terms of population, both the high-spending urban and rural municipalities have similar average populations. So where are they different? Well, let's consider size in square kilometres.

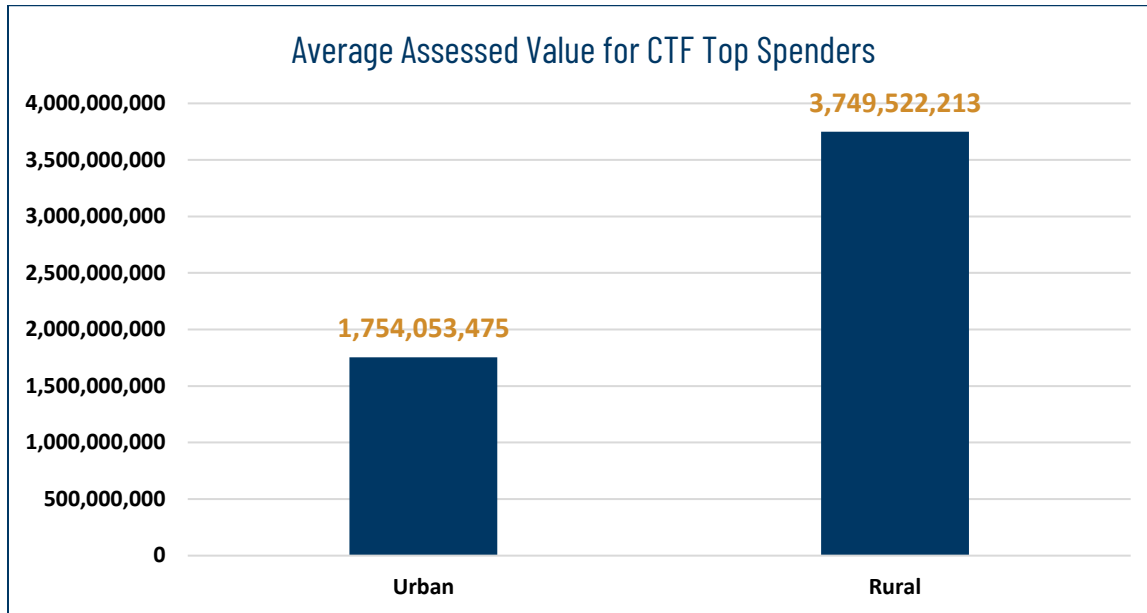
Chart 1.5



The rural municipalities identified in the CTF report are, on average, **490 times the geographic size** of the urban municipalities. This is a huge difference and is very important in providing some much-needed context to the assumptions in the CTF report. For a rural municipality, providing services to a similar population spread across an area 490 times as large as an urban municipality will obviously cost more on a per-person basis. A dispersed population means longer roads, longer water and wastewater lines, more recreation facilities and transfer stations serving smaller populations so as not to require rural residents to drive extremely long distances, and more distance covered in municipal vehicles and equipment to maintain municipal infrastructure.

In addition to service differences, rural municipalities also provide a much larger portion of services exclusively for the use of industry. As the home to most Alberta's natural resource-based industries such as oil and gas, forestry, and agriculture, many rural roads and other infrastructure exists solely for industry use. With this in mind, let's make one more comparison of the CTF's identified high-spending urban and rural municipalities, this time examining the average assessed value of the property in each municipal type.

Chart 1.6



The rural municipalities have more than double the value of assessed property than the urban municipalities. What this means is that even though populations are similar, rural municipalities have more non-residential property types not captured in per capita comparisons, but still requiring municipal services. Things like farms, oil wells, and sawmills will all require municipal services and drive municipal spending.

None of this is to imply that the urban municipalities identified in the CTF report are fiscally irresponsible either. For example, the high per capita costs for the towns of Banff and Canmore are likely driven by high rates of tourism. Large numbers of visitors require more and larger infrastructure such as multi-lane roads and public washrooms that may not be required in other towns with similar populations. It also means that infrastructure is likely to degrade faster and requires more maintenance and frequent replacement. As another example, Rainbow Lake is an isolated community in the far north of the province. As a result, nearly all services and municipal functions are likely costlier than average, including raw materials, employee salaries, and others. The takeaway here is that comparing municipalities within Alberta based on a single metric doesn't work. It's easy to see why in the case of rural municipalities, but even urban municipalities face unique challenges or circumstances that may help explain why they appear to overspend.

The MacKinnon Report

While the CTF report focuses within Alberta, an example of the trouble with comparing municipalities across provinces is found in the final report of the "Blue Ribbon Panel on Alberta's Finances," more commonly referred to as the MacKinnon Panel, after Chair Janice MacKinnon, former Saskatchewan Finance Minister.

The MacKinnon Panel was formed in May 2019 by Premier Kenney with a mandate to identify government overspending and inefficiencies, and recommend strategies to eliminate or reduce them. In other words: cut spending. While municipal finances made up only a small portion of the panel's final report, the panel's work portrayed Alberta's municipalities as overspending and over-funded by the province. In September 2019, the [panel released a final report](#) with a series of recommendations.

The panel used the concept of “capital stock per capita” (which will be explained below) to form two recommendations related to municipal finance. Recommendation 13 states the following:

Bring Alberta’s net public capital stock in line with the average per capita capital stock in the other provinces over the next ten years as part of its balanced budget plans and long-term fiscal sustainability.

Recommendation 15 states the following:

The Government of Alberta should examine its legislative framework for capital funding to municipalities with the goals of:

- ◆ Aligning funding to provincial goals and priorities and fiscal capacity, while further considering funding formulas that require municipalities to share more in the costs of major projects.
- ◆ Adjusting its allocation formula for grants to municipalities in line with the policy of bringing Alberta’s provincial and municipal per capita capital stock in line with the comparator provinces.
- ◆ Establishing accountability mechanisms and performance measures to monitor the delivery of municipal programs and services and value for money spent, so citizens have the ability to constructively evaluate their local government and their use of tax dollars.
- ◆ Making better use of federal infrastructure funding, though the Investing in Canada Infrastructure Program (ICIP) as a means of more effectively managing the costs of the Capital Plan.

These recommendations were supported by the following argument from the panel:

Government net capital stock per capita, both provincial and municipal, has been consistently above the 10-province average, especially in the last decade. In 2017, the provincial government’s net capital stock per capita was 19% above the 10-province average and the municipal governments’ stock was 81% above the average, bringing the combined provincial-municipal measure to 44% above the national average.

Pretty alarming numbers. Assuming capital stock per capita is meaningful, maybe the panel is on to something and municipal spending in Alberta does need to be addressed. However, not surprisingly (if you’ve read this far you know where this is going), the panel’s recommendations lack any explanation of why these numbers might be so much higher in Alberta than elsewhere.

Before getting into the numbers, a quick note on capital stock per capita. Capital stock is basically the physical assets owned or managed by a municipality (everything from roads to buildings to computers and park benches could be included). RMA has serious concerns with the use of capital stock as a key metric in the report (as it is never defined), and its accuracy in allowing for comparisons of municipal asset values across jurisdictions. However, for the purposes of this resource, let’s assume the capital stock figures used in the panel are somewhat accurate (which may not be the case!). For more info on capital stock and its use in the report, contact RMA’s External Relations & Advocacy Department.

Breaking down the data

Like the CTF report, the panel uses a single per capita metric to draw some pretty serious conclusions. So, let’s get to breaking it down! The main data that the panel uses to drive its recommendations is found on page 54 of the report. Unfortunately, the exact data used to inform the table on page 54 of the MacKinnon Report is not available, so we have to rely on “eye-balling” the table and working backwards using population statistics to estimate the actual amount of municipal capital stock per capita, which looks like the following:

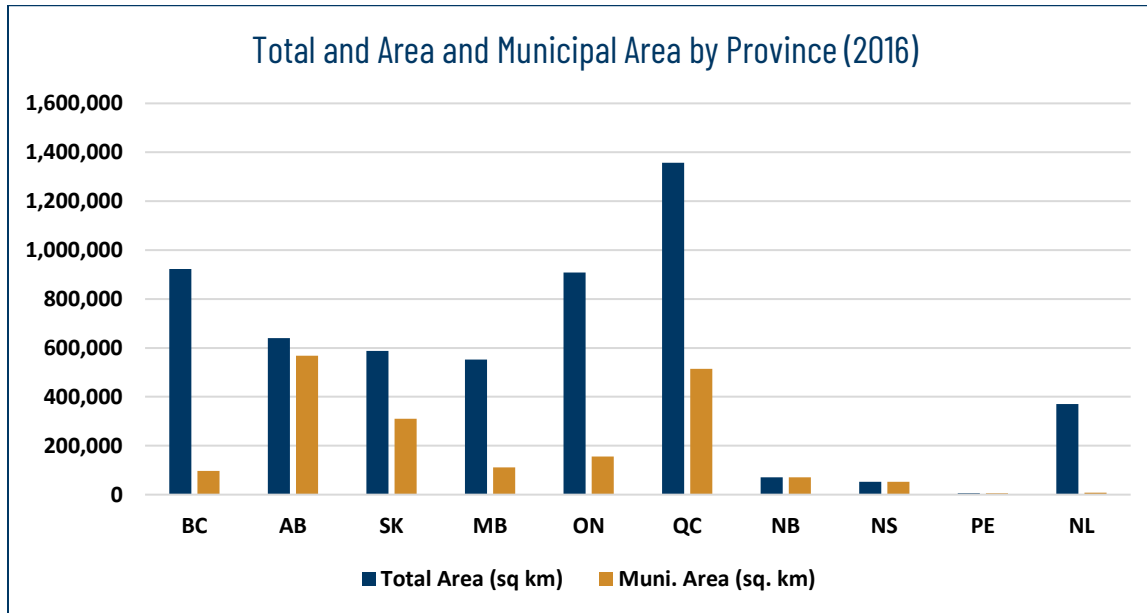
PROVINCE	MUN. CAPITAL STOCK PER CAPITA (ESTIMATE BASED ON P. 54)	POPULATION (2016)	ESTIMATED TOTAL MUNICIPAL CAPITAL STOCK	LOWER SENSITIVITY ANALYSIS (3%)	UPPER SENSITIVITY ANALYSIS (3%)
BC	\$6,500	4,648,055	\$30,212,357,500	\$29,305,986,775	\$31,118,728,225
AB	\$13,000	4,067,175	\$52,873,275,000	\$51,287,076,750	\$54,459,473,250
SK	\$7,500	1,098,352	\$8,237,640,000	\$7,990,510,800	\$8,484,769,200
MB	\$6,000	1,278,365	\$7,670,190,000	\$7,440,084,300	\$7,900,295,700
ON	\$6,000	13,448,494	\$80,690,964,000	\$78,270,235,080	\$83,111,692,920
QC	\$5,500	8,164,361	\$44,903,985,500	\$43,556,865,935	\$46,251,105,065
NB	\$5,500	747,101	\$4,109,055,500	\$3,985,783,835	\$4,232,327,165
NS	\$3,500	923,598	\$3,232,593,000	\$3,135,615,210	\$3,329,570,790
PE	\$5,000	142,907	\$714,535,000	\$693,098,950	\$735,971,050
NL	\$6,000	519,716	\$3,118,296,000	\$3,024,747,120	\$3,211,844,880

As mentioned, RMA is concerned with the consistency and accuracy of these figures, but for our purposes we will assume they are somewhat accurate. The chart shows that Alberta has the second-highest level of overall capital stock among all provinces, despite being fourth place in population. This leads to the big question: “so what?” Let’s return to all of the things we’ve been considering throughout this resource – how important are municipalities in Alberta compared to other provinces? How many people do they serve, how much land do they cover, what services do they provide?

The answers to many of these questions are found in section one of this resource, so there’s no need to bring them up again. However, let’s take a quick look at how the panel’s stats break down using something other than a per capita metric.

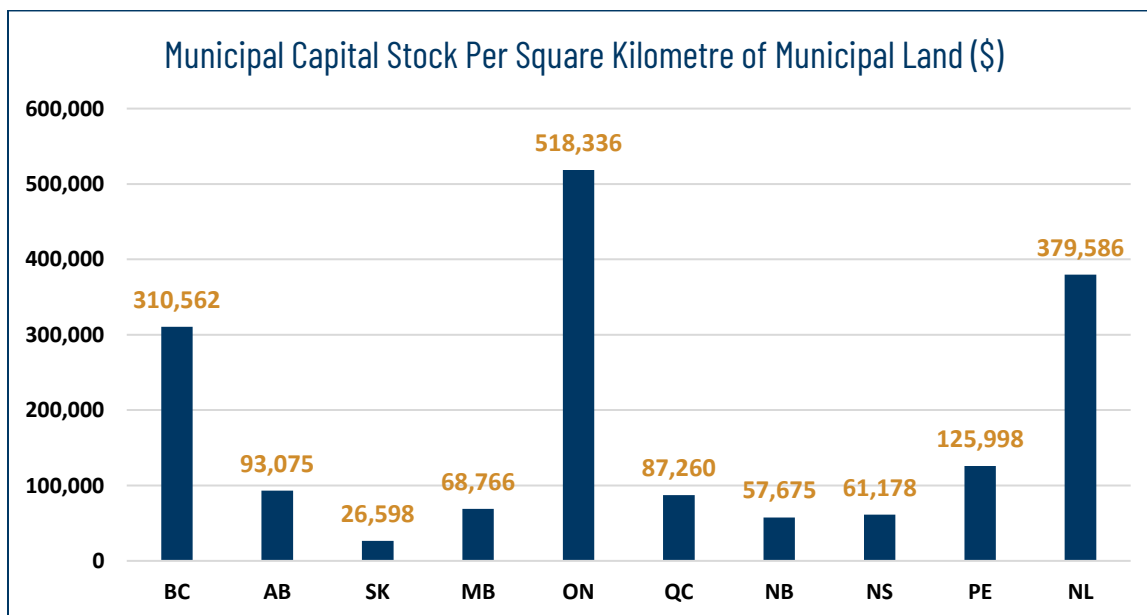
First, let’s return to a table from section 1 outlining the overall size of each province and the land covered by municipalities.

Chart 1.7



As you may recall, Alberta municipalities cover way more land and a way higher portion of land than municipalities in other provinces, even those much larger than Alberta. And “covering” that land means providing services and managing infrastructure, both of which cost money! While no one is arguing that municipal capital costs in rural Alberta are at the same level of downtown Toronto, it is important to remember that in rural Alberta, there are few people to cover those costs, while in downtown Toronto, there are many. So on a per capita basis, rural Alberta’s municipal capital costs may actually be similar to or even above those in large cities. However, the story changes when you look at other metrics, such as land.

Chart 1.8



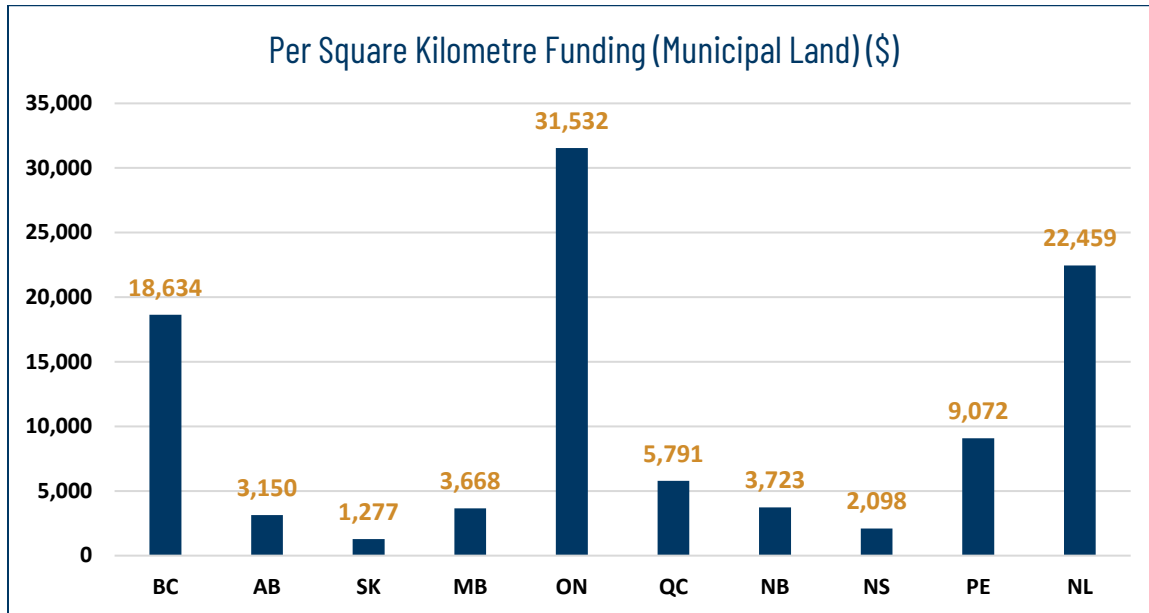
Interesting. When we look at how much municipalities spend to provide infrastructure on the land that they serve, Alberta’s municipalities look downright responsible. This is not to say that an area-based comparison is more valuable than a population-based comparison. Realistically, neither tell much of anything on their own.

In addition to arguing that Alberta is an outlier in terms of how much municipal infrastructure it has, the report argues that Alberta receives an unreasonably high amount of per capita funding from other levels of government. Due to the lack of available data informing the panel’s conclusions on this area, we have to do some math based on the panel’s per capita funding estimates on page 55 of the report.

PROVINCE	PER CAPITA FUNDING (ESTIMATE BASED ON P. 55 TABLE)	POPULATION (STATS CAN – 2016)	ESTIMATED TOTAL MUNICIPAL CAPITAL STOCK
BC	\$390	4,648,055	\$1,812,741,450
AB	\$440	4,067,175	\$1,789,557,000
SK	\$360	1,098,352	\$395,406,720
MB	\$320	1,278,365	\$409,076,800
ON	\$365	13,448,494	\$4,908,700,310
QC	\$365	8,164,361	\$2,979,991,765
NB	\$355	747,101	\$265,220,855
NS	\$120	923,598	\$110,831,760
PE	\$360	142,907	\$51,446,520
NL	\$355	519,716	\$184,499,180

With the total funding amounts estimated based on the panel’s per capita figures, we can do the same comparison of how these amounts look based on municipal land managed.

Chart 1.9



Comparing provincial grant support to municipalities by land mass drastically changes the conversation. In this model, Alberta actually receives the third-lowest level of provincial capital support, ahead of only Nova Scotia and Saskatchewan.

Clearly, the MacKinnon Panel's recommendations are based on a very narrow and misleading measure, and never consider the factors that drive municipal capital spending and municipal funding in different provinces. Like the CTF report, the panel's recommendations make for some compelling headlines but do not hold up to closer examination.