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Interprovincial Comparisons

Interprovincial comparisons of municipalities can be a valuable tool to understand how Alberta's municipalities function and perform in relation to municipalities in other provinces. However, recent interprovincial comparisons, such as those in the MacKinnon Report, do not account for the unique nature of municipalities in Alberta including their size, responsibilities, and how they are funded. The RMA is concerned that interprovincial comparisons are being used without the proper context to unfairly portray Alberta municipalities in a negative manner.

For more information on interprovincial comparisons, view the [RMA Members are Unique](#) web hub.

What are the RMA's concerns on the use of interprovincial comparisons?

- ◆ With the proper context and background information, interprovincial comparisons of municipalities can be a helpful and interesting exercise.
- ◆ The use of per capita comparisons in interprovincial comparisons is problematic, as it over-simplifies complex issues due to the use of a single metric and does not capture the unique nature of rural areas and the various factors that drive municipal planning and decision-making. As such, per capita metrics are likely inappropriate, especially when used in isolation.
- ◆ Interprovincial comparisons are complex and must be approached in an in-depth manner that captures the differences between provinces.
- ◆ Interprovincial comparisons should include multiple metrics, and not rely on a single comparator to inform policy.

What financial considerations do rural municipalities have with respect to interprovincial comparisons?

- ◆ Population is a weak predictor of infrastructure expenses for Alberta's rural municipalities. The RMA supports the use of multiple factors, including the value of municipal assets and assessment base, as funding formula measures, as these are often indicators of service and infrastructure cost drivers than population, especially in rural areas.
- ◆ Municipal finances differ widely among municipalities within Alberta, as well as those in other parts of Canada. These differences are the result of the wide array of funding tools available to municipalities in some jurisdictions but not others, as well as different levels of provincial government financial support for municipalities. Additionally, municipalities in Alberta provide a wider range of services than those in neighbouring provinces, which also contributes to differences in both revenue-generation and expenses.

How does the RMA engage with interprovincial comparisons?

- ◆ RMA provides the Government of Alberta with the rural municipal perspective on municipal finances during the development of provincial financial accountability tools such as the Municipal Measurement Index and Municipal Indicators.

- ◆ RMA seeks to provide context to interprovincial comparisons to ensure that the unique nature and responsibility of Alberta's rural municipalities are captured.

What current interprovincial comparison-related issues are impacting rural Alberta?

Capital Stock in the MacKinnon Report

- ◆ The Blue Ribbon Panel on Alberta's Finances (better known as the "MacKinnon Report") rely on the use of capital stock per capita comparisons to portray Alberta municipalities as being over-invested in capital stock (infrastructure) and over-funded by provincial grants compared to municipalities in other provinces. The use of a single metric for comparisons, particularly the poorly-defined capital stock per capita metric, is problematic and misleading.
- ◆ The MacKinnon Report provides two recommendations regarding capital stock. Recommendations 13 and 15 suggest bringing Alberta's capital stock per capita and municipal funding in line with other provinces. These recommendations do not address the uniqueness of Alberta's municipalities, including their expanded role in service provision in rural and remote areas, something not found in other provinces.
- ◆ Capital stock per capita, as referenced in the MacKinnon Report, is not a commonly used metric. Instead, capital stock is typically used to compare private sector investment to public sector investment. Alberta has the third highest private to public capital stock ratio, indicating that for every dollar of public capital stock, \$21.60 of private sector capital investment exists.
- ◆ The data used to calculate capital stock in the MacKinnon Report is not clearly explained, and as such should not be relied upon in isolation to inform policy decisions.
- ◆ Capital stock per capita is a metric that portrays Alberta's municipalities as being overbuilt to serve their populations. However, an exploration of the physical area and kilometres of road municipalities maintain and provide services to tells a different story. Relying on a single metric to compare municipalities does not capture the complete picture.

Alberta's Uniqueness

- ◆ Among Canada's large provinces, Alberta has the highest proportion of its land administered by municipalities, at 88.7%. In contrast, municipalities cover 52.7% of land in Saskatchewan, 37.9% in Quebec, 20.2% in Manitoba, 17.1% in Ontario, and 10.6% in British Columbia.
- ◆ Alberta's rural municipalities cover an average of over 8,000 square kilometres of land. This is substantially larger than comparator provinces, where the average municipal area is less than 1,000 square kilometres.
- ◆ Alberta is the only large province in which single-tier municipalities are responsible for administration over the entire northern portion of the province. Northern areas are characterized by low population and population density, and relatively high levels of natural resource-related industrial activity. In other provinces, northern administration is the responsibility of provincial or regional governments, with municipalities having a limited role in populated areas.
- ◆ Rural Alberta municipalities allocate a major portion of their annual budget to transportation infrastructure. RMA members spend 48% of their budget on transportation (excluding transit), while Ontario municipalities spend 11% and BC municipalities 10% on this item.
- ◆ Alberta municipalities are commonly compared to Ontario and BC. A critical flaw in these comparisons is there is no recognition of the fact that Ontario and BC utilize a two-tier municipal structure, where regional

municipal governments exist and provide service in addition to lower tier municipalities. RMA members are responsible for providing all services delegated to municipalities.

- ♦ Alberta is home to a larger northern population than other provinces.

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