



RMA
RURAL MUNICIPALITIES
of ALBERTA

RMA Submission

2022 Provincial Budget

January 2022



About the RMA

The RMA advocates on behalf of Alberta’s rural municipalities. RMA’s members consist of 63 municipal districts and counties, five specialized municipalities, and the special areas board. While villages and small towns are spread across rural Alberta, these are considered urban municipalities and are not represented by the RMA. The RMA’s 69 members have several common traits: large land masses, small populations, and a lack of a traditional “population center.” RMA members provide municipal governance to approximately 85% of Alberta’s land mass; Alberta is unique in Canada in that municipalities govern land throughout the entire province; from border to border.

This Submission

RMA’s 2022 provincial budget submission is divided into five themes:

1. Rural Municipalities are Unique
2. Sustainable Municipal Funding
3. Support for Rural Infrastructure
4. Rural Connectivity
5. Resilient Rural Communities

Each theme will include background information, specific budget-related action items, target ministries, and an explanation of why it is important to rural municipalities.

It is important to note that not all funding priority issues for RMA member are included in this submission. This represents a cross-section of the wide range of important budget-related issues that impact rural municipalities.

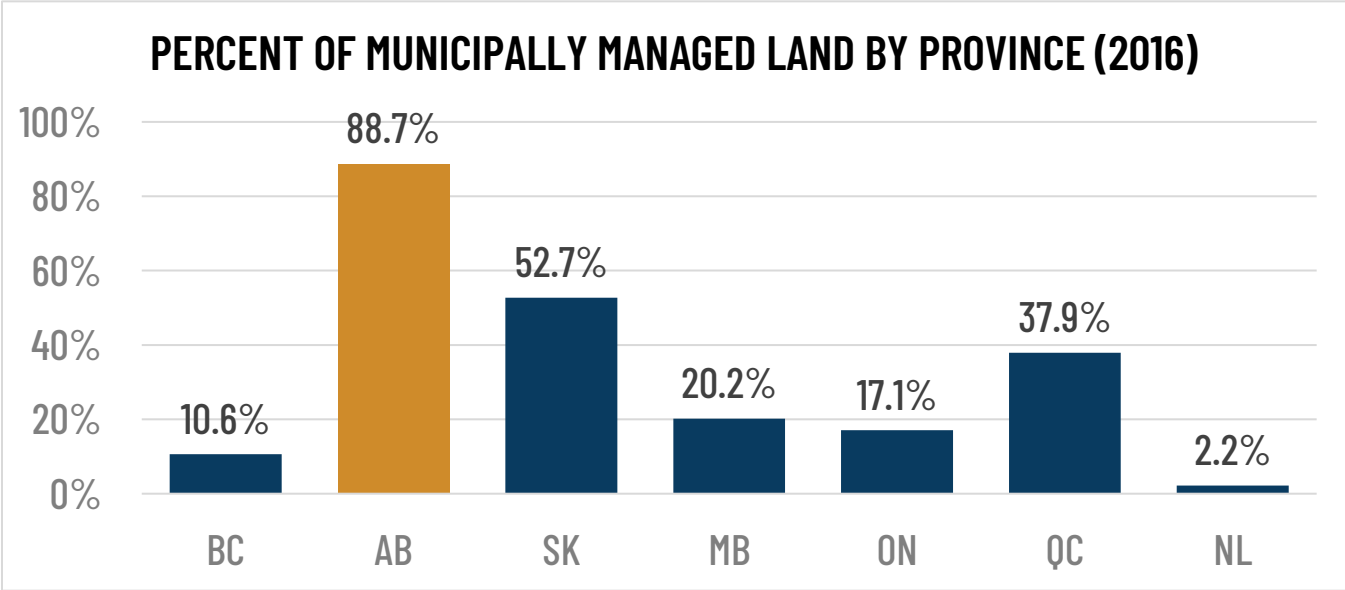
Theme 1: Rural Municipalities are Unique

While all municipalities in Alberta have similar tools, responsibilities and powers, Alberta’s rural municipalities are unique in many ways, both within Alberta and compared to municipalities across Canada. This uniqueness is visible in nearly all areas of municipal responsibility, and impacts revenue collection, budgeting, planning, capital investment, and service delivery, among others.

With an area of over 8,000 square kilometres, the average rural municipality in Alberta is over ten times as large as the average municipality in Manitoba, the next largest comparator province. However, this extremely large size does not equate to rural municipalities having a proportional share of the province’s population. RMA members cover approximately 85% of Alberta’s land mass but are home to only about 17% of Albertans. Additionally, Alberta’s rural municipalities host a disproportionately large amount of the province’s industrial development, particularly in resource-based industries such as oil and gas, agriculture and forestry.

These large sizes, low populations, and intensive industrial development create unique opportunities and challenges for rural municipalities. Not only do RMA members face high per capita costs in providing infrastructure and services to residents due to their dispersed population, but many of the services and infrastructure built and managed by rural municipalities are mainly or completely for industrial use.

This uniqueness is further exemplified when considering the overall amount of land that Alberta’s municipalities cover. As mentioned, rural municipalities provide local governance and services to about 85% of Alberta’s land mass. Aside from the extremely small maritime provinces, in no other province in Canada do municipalities cover more than 53% of the land mass (Saskatchewan). In fact, in many of the provinces commonly used as comparators to Alberta, municipalities cover significantly less land, as the graph below demonstrates.



This indicates that not only are individual Alberta rural municipalities large, but they are covering areas of Alberta that would not be administered by municipalities in other provinces. These areas are in the far north of the province and are highly rural in nature. In other provinces, local government in such areas is provided through regional bodies or directly by the provincial government due to the difficulties of providing municipal infrastructure and services to isolated rural areas. In Alberta this is not the case, as municipalities are tasked

with the unique challenge of supporting residents and industry in such areas with the same tools, responsibility, and limitations in place for municipalities throughout the province.

Action items

- ◆ Develop a Government of Alberta-wide rural municipal lens.
- ◆ Apply the lens to all funding and policy decisions impacting rural municipalities.

Target ministries

- ◆ All ministries

Why it is important

To effectively support municipalities of all types and sizes, the Government of Alberta cannot take a “one size fits all” approach to support local infrastructure and service delivery. Similarly, it is crucial that the Government of Alberta does not rely on overly simplistic per capita metrics to compare municipal finances both within the province and to municipalities elsewhere. Developing programs, policies and funding approaches that consider the unique needs, challenges and opportunities of rural municipalities may require more upfront planning and consultation, but will ultimately lead to the more efficient and effective allocation of funding and development of policies and programs that reflect the priorities of rural areas.

Theme 2: Sustainable Municipal Funding

Alberta's municipalities rely on provincial grant funding to support capital projects. In particular, the Municipal Sustainability Initiative (MSI) provides municipalities with ongoing funding for a range of capital projects, and includes the flexibility to save funding for multiple years to support large projects and encourage planning.

For several years, the Government of Alberta has indicated that MSI would be replaced with the Local Government Fiscal Framework (LGFF). Initially, MSI was to be replaced by the LGFF beginning in the 2022 fiscal year. Beginning in 2019, RMA, along with ABMunis, engaged with the Government of Alberta on the design of the LGFF, including baseline funding, distribution among Edmonton and Calgary and all other municipalities, linkage of overall LGFF contributions to provincial fiscal growth, and other important areas.

Since then, the transition of the MSI to the LGFF has been delayed until 2024-25. Additionally, interim MSI funding for the years from 2021-22 to 2023-24 was reduced by 25% per year compared to 2020-21 budget levels. It is unclear how this reduction will impact the previously determined LGFF base funding model, which was set at \$860 million in budget 2019. With LGFF being delayed, and the final years of annual MSI capital funding being reduced to \$485 million, RMA is concerned that LGFF's base funding amount may also be reduced.

In addition to the overall LGFF funding amount, RMA looks forward to engaging with the Government of Alberta on how funding will be allocated. While MSI allocation attempts to balance the needs and cost drivers of both urban and rural municipalities, determining LGFF allocation will be a unique opportunity for the Government of Alberta to re-evaluate how to best support municipalities and ensure funding is distributed fairly.

Action items

- ◆ Clarify that the baseline funding amount of the LGFF will remain at \$860 million, as indicated in 2019.
- ◆ Engage with the RMA to ensure that LGFF funding is allocated in a matter that is fair to both rural and urban municipalities and ensures municipalities retain the autonomy to use funding for local priorities.

Target ministries

- ◆ Ministry of Finance and Treasury Board
- ◆ Ministry of Municipal Affairs

Why it is important

The Government of Alberta's reduction in MSI funding occurred due to the financial strain associated with the COVID-19 pandemic and the general economic downturn impacting the province. More recently, Alberta's economic forecast has improved significantly. While this is good news for all Albertans, the reliance that many of the resource sectors that drive Alberta's economy have on municipal infrastructure suggests that many rural municipalities will face an increased demand for upgraded or expanded infrastructure networks soon.

Although increased non-residential property taxes associated with new development may help municipalities meet some of these demands, the province will need to play a role to ensure that municipalities can support such economic growth. According to Alberta's Economic Dashboard, in the past year oil production has increased by 5.2%, active drilling rigs have increased by 69.2%, and the number of wells drilled has increased by 433%. While these indicators are in only one sector, they suggest an upcoming increased need for municipal roads, bridges, and other infrastructure in rural Alberta. With the Government of Alberta's 2021 mid-year

economic forecast predicting the province's GDP to increase rapidly and steadily in 2022 and beyond, the need for municipal infrastructure will continue to grow.

For this reason, it is crucial that the province not view municipal capital grant funding as simply a cost, but rather as an investment to support rural municipalities in doing what they do best: building and maintaining crucial infrastructure in a high-quality and cost-effective manner.

Theme 3: Support for Rural Infrastructure

As mentioned above, Alberta’s rural municipalities play a massive role in supporting the province’s economy through the provision of infrastructure that is heavily used by industry. While a large portion of external funding for this infrastructure comes through the MSI, there are other provincial grants and programs specifically for rural roads and bridges that should receive increased funding to match the role of rural infrastructure in driving the ongoing economic recovery.

One of the most important existing rural-specific infrastructure programs is the Strategic Transportation Infrastructure Program (STIP). Within STIP is funding for resource roads, local road bridges, community airports, and other local improvements. STIP’s bridge funding component is particularly important, as rural municipalities across Alberta struggle to address aging bridge infrastructure and in some cases have resorted to weight-restricting or closing bridges, impacting both residents and industry. Budget 2021 indicated a future decrease in STIP. With the province’s economic recovery in full swing and an increase in heavy industrial traffic using local road bridges, moving forward with this reduction could have major economic, fiscal and even safety impacts.

As the Government of Alberta increases its focus on the development of trade and utility corridors (as demonstrated by the Government of Alberta’s Economic Corridor Task Force), it is crucial that any future planning and funding for the development of trade corridors both within Alberta and connecting to other provinces or countries consider the crucial role that municipal roads and bridges often play as the first “link in the chain” of moving many of Alberta’s resources to market, or to providing access to the resources in the first place. While transportation-based corridors often focus on highways, rail, and ports, ignoring the need to ensure rural roads and bridges are up to the task of supporting the international movement of resources will risk reducing the value of more “splashy” investments in large-scale projects.

Action items

- ◆ Increase allocations under the Strategic Transportation Infrastructure Program, particularly for the Local Road Bridge Program component.
- ◆ Ensure that any new programs or investments to further research or develop trade and utility corridors recognizes rural municipal infrastructure as a component of corridors designed to move Alberta’s resources to market.

Target ministries

- ◆ Ministry of Finance and Treasury Board
- ◆ Ministry of Transportation
- ◆ Ministry of Jobs, Economy and Innovation

Why it is important

As rural municipalities are responsible for a disproportionate share of the province’s roads and bridges which significantly contribute to Alberta’s economic growth, it is crucial that this infrastructure is recognized as such. Failure to provide municipalities with the tools and resources to adequately build and maintain roads and bridges will not only have local consequences but lessen the benefits of large-scale investments in more notable trade and economic development-related projects.

Theme 4: Rural Connectivity

The COVID-19 pandemic demonstrated the importance of a broadband connection to nearly all aspects of life. It also brought into focus what rural Albertans already knew: the rural broadband gap is real, and it is large.

RMA is currently partnering with the Canadian Internet Registration Authority (CIRA) to conduct broadband speed testing across rural Alberta. Although testing is still underway, results to this point are alarming. While the Government of Canada has identified broadband speeds of 50 megabits per second (Mbps) download and 10 Mbps upload as the minimum standard for acceptable connectivity speeds across Canada, Alberta's rural communities average only 14.78 Mbps download and 2.16 Mbps upload based on 15,800 tests conducted by RMA to this point. The median test speeds are less than half of the Government of Canada's 50/10 goal.

While most broadband and spectrum policy is the responsibility of the federal government, the Government of Alberta has a role to play in reducing the connectivity gap in rural communities. Most importantly, the Government of Alberta can continue to invest in rural broadband infrastructure in the form of collaboration with the Government of Canada, private sector internet service providers, municipalities, or other non-profit organizations. Further, this collaboration can be coordinated through the finalization and implementation of a provincial broadband strategy that emphasizes rural internet. The rural broadband gap is primarily due to its sparse population and challenging geography, rural Alberta is not a profitable investment location for ISPs. In other words, relying on the private sector to invest in rural Alberta has been unsuccessful due to a low return on investment, requiring intervention from all levels of government in the form of grant programs and direct investment in broadband infrastructure.

Recently, the Government of Alberta announced a \$150 million investment in rural and Indigenous connectivity, and a commitment to collaborate with the federal government to leverage funds available through the Universal Broadband Fund. Little information is available as to how this funding will be used, plans for future funding, and the link between the funding and a provincial rural broadband strategy, which is sorely needed in Alberta.

Action items

- ◆ Share information on future funding phases to build on initial \$150 million investment in rural and Indigenous broadband projects.
- ◆ Finalize and release a rural broadband strategy.

Target ministries

- ◆ Ministry of Finance and Treasury Board
- ◆ Ministry of Service Alberta
- ◆ Ministry of Jobs, Economy and Innovation

Why it is important

As connectivity becomes more crucial for every aspect of life and nearly all rural industries, the time for provincial planning and investment in broadband is now. Alberta's rural connectivity gap will persist if the province continues to rely on piecemeal local and regional projects supported through federal grant funding without a plan of its own. This will also result in the most underserved (and least profitable areas) continuing to lag.

A provincial broadband strategy can support strategic investments in broadband and support ISPs, municipalities, and non-profit organizations in collaborating on investments in broadband that will have local, regional and provincewide benefits. Accompanying a strategy with a meaningful provincial investment to support implementation will be even more critical.

Theme 5: Resilient rural communities

As the frequency and severity of natural disasters continues to increase, rural municipal infrastructure has become increasingly vulnerable to climate-related damage. Not only does such damage result in massive costs to replace infrastructure, but also impacts economic growth, community safety, and the natural environment through supply chain disruptions, reduced accessibility to emergency services and displaced populations, and downstream impacts. Rather than continue to invest unpredictable amounts of money in reacting to natural disasters, a province-wide shift to a mitigation approach would reduce costs in the long-run and reduce the risks of disruptive and life-threatening impacts associated with events such as floods, wildfires and droughts.

To RMA's knowledge, the Government of Alberta offers few specific funding programs or initiatives aimed at supporting municipalities or other infrastructure owners in mitigating climate change impacts. While municipalities across the province have undertaken efforts to upgrade some infrastructure to become more resilient, many simply lack the capacity to do so, meaning that much of Alberta's municipal infrastructure continues to be vulnerable to natural disasters.

One example of provincial involvement in disaster mitigation is the FireSmart program, in which Alberta Agriculture and Forestry collaborates with partner organizations to administer funding to municipalities to reduce wildfire risks in their communities. Extending similar programs to areas such as floods and drought, and partnering with rural municipalities and organizations to take a community-based approach to reducing risk and building resilient infrastructure may be a cost-effective way to lessen the impacts of natural disasters in rural areas.

Action items

- ◆ Commit to developing a funding approach and program strategy to developing mitigation disaster mitigation approaches for municipal infrastructure.

Target ministries

- ◆ Ministry of Finance and Treasury Board
- ◆ Ministry of Municipal Affairs
- ◆ Ministry of Environment and Parks

Why it is important

It is likely that the frequency and severity of natural disasters will increase, and working with municipalities and communities to mitigate impacts before they occur is not only more efficient, but will also raise community-wide awareness of how to plan for mitigation, both in terms of public property and among private property owners.