



RMA
RURAL MUNICIPALITIES
of ALBERTA

MUNICIPAL STRUCTURES

An Alternative Dialogue for Municipalities in Alberta

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INTRODUCTION

The conversation tied to municipal restructuring has a cyclical nature in Alberta, often reintroduced during times of economic uncertainties and fluctuations as either the solution to municipal viability challenges (i.e., creating one bigger municipality rather than a number of smaller ones will be a better model) or as the key to making Alberta more attractive to industrial investment (i.e., having so many municipalities and regulatory environments is a barrier to industrial attraction and expansion). For the purposes of this report, “municipal restructuring” refers to boundary adjustments that redefine the jurisdiction of one or more municipalities through expansion, contraction, or consolidation.

Although examples of restructuring used in other jurisdictions are not the focus of this report, those interested in learning more about restructuring approaches used elsewhere are encouraged to review RMA’s 2016 report titled *Examining Municipal Government Models from the Alberta Perspective*.

It can be argued that local governments play a bigger role in citizen wellbeing today than at any other point in time. However, it is inarguable that our society is far more complex today than when the concept and structure of local government was first conceived and introduced. Rather than examine municipal restructuring as a process to address viability challenges or attract economic development, which are often cited as the rationale, this report considers the connection between the concept of complexity and using municipal restructuring as a potential tool to address it.

Existing research and literature largely focus on how municipal structures function in serving core municipal purposes (i.e., how decisions are made, service delivery mechanisms, revenue generation, etc.). There has been less consideration given to why restructuring is often suggested as a solution for most challenges facing municipalities, rather than considered among a continuum of options that would support municipal adaptation when faced with ever changing local context and external influences that impact municipal roles and their ability to meet citizen expectations.

Dealing with complexity is difficult because there are no direct cause and effect relationships within complex, adaptive systems. When municipalities face growing or compounding challenges, it is easier to ignore the complexity of the system in favour of applying a “silver bullet” solution in hopes that it can address every problem, capture every opportunity, and be replicated on a large scale. However, the “silver bullet” is often considered the rational approach because the problems it seeks to solve are the easily identifiable and understood challenges that represent the symptoms of a deeper, root cause. The “silver bullet” approach often leads to municipal restructuring resurfacing as the solution to local government challenges, despite many of the challenges facing municipalities remaining unknown to municipal decision-makers.



Individuals and businesses are evolving as customers, and they have higher expectations of municipal services and their surrounding urban forms.

- 2021 KPMG article

Municipal restructuring has been applied in various formats in Alberta and across Canada. Relying on specific examples often generates the desire to “see how others have done it” and look for opportunities to apply it here. Ultimately, this simplified approach fails to consider the following:

- ◆ Inter-jurisdictional comparisons often overlook the importance of local context. This is particularly true in Alberta where municipal structures and roles are unique compared to other Canadian jurisdictions.
 - ◇ Would a municipal restructuring approach used in Ontario work in Alberta given the area of an average municipality in Alberta is nearly five times larger than the average municipality in Ontario?
- ◆ Applying restructuring as a single solution ignores the nuances that come with truly assessing and evaluating municipal challenges.
 - ◇ What is the right “lens” to evaluate restructuring? Should we strictly look at municipal issues or are there broader community considerations?
- ◆ Applying restructuring as the solution establishes a linear mindset that assumes the challenge is clear and the solution is evident. This ignores the complexity of the situation, which does not have cause and effect relationships.
 - ◇ Who defines the challenges and solutions? How are unintended consequences addressed?
- ◆ When restructuring is viewed as the solution, any evaluations of its success or failure is flawed without a clear understanding of the problems restructuring was intended to solve.
 - ◇ How is the power dynamic addressed and balanced with the broader community needs when evaluating problems, solutions, and measures of success?

Within the context of changes at the local government level, municipal restructuring certainly merits consideration as an option, but this cannot be perceived as an “either/or” scenario. Simplifying the conversation with the assumption that there is a single solution to complex problems empowers our individual and collective blind spots at the expense of more creative and less disruptive ideas and introduces higher levels of risk in introducing unintended consequences. The result of restructuring introduces either a completely new municipality, or significantly alters the nature of an existing municipality. This level of disruption is an upheaval to all aspects of governance, operations, budgeting, etc., increasing the likelihood that new challenges will emerge as old ones are considered solved.

This project neither advocates for nor against municipal restructuring, but merely strives to raise the awareness of the complexity of municipalities and the importance of considering multiple perspectives when determining how and when to explore restructuring as an option. It does present restructuring as a tool for Alberta municipalities to consider, provided it has been evaluated relative to not only the challenges it is intended to solve, but also the broader impacts it will create on the new local government and every other sector of the community.

A CHANGING SYSTEM

Historically, the public has relied on the local government for leadership and solutions to the community's most pressing challenges. Local government, and its bureaucracy, exists to further the interests of citizens. Fundamentally, local government enjoys key advantages over higher orders of government, such as:



LOCALIZED FOCUS



**MANAGEABLE
SCALE**



**DEEPER
CONNECTION TO
THE COMMUNITY**



**ABILITY TO BUILD
SOCIAL CAPITAL**



**INTIMATE
KNOWLEDGE OF
LOCAL NEEDS**



**CREDIBILITY TO
CONVENE
MULTI-SECTOR
DIALOGUE**

While these advantages put local government in the enviable position to embrace and enhance the diversity and viability of the community, local governments also face significant challenges, with the most notable being the ability of higher orders of government to determine their powers and limitations. In Alberta and other provinces and territories, the provincial/territorial level of government shapes a municipality's responsibilities, sources of revenue, role and methods of collaboration, and other obligations.

For some municipalities, the combination of increased downloading of various functions onto local government and increasing expectations around level of service from citizens have created challenges, confusion, and uncertainty around how to move forward. A 2014 report created by Ipsos in partnership with the Institute for Citizen-Centred Services, noted that service expectations of the public sector are rising, creating unprecedented pressure to show continued improvement in service delivery. While emerging tools such as asset management plans and public participation policies are available to help municipalities better identify and address these growing expectations, they too have an implementation cost that is often unattainable for smaller municipalities that must focus their time and resources on maintaining basic services and functions.

This development is not a negative reflection of government services or on the people serving in government. In many respects, municipalities are currently delivering unprecedented levels of service. Citizen expectations of local government as problem

solvers have become increasingly unrealistic, as changes to local government capacities have not kept pace with the complexity of community challenges. Without a clear understanding of the roles and responsibilities of local government, citizens can become frustrated and confused with how decisions are made (e.g., access was refused from a farmhouse onto provincial highway), on worsening conditions at the local level (e.g., why isn't the local government doing more to curb the homeless issues?), or on the increasing fiscal burden imposed on municipalities from higher orders of government (e.g. why is my property tax bill going up when nothing seems to have changed?). A lack of clarity around the function of local government can contribute to a growing perspective of an ineffective and inefficient government that leads to an erosion of public trust.

The ultimate challenge of local governments across Alberta and Canada is to maximize service provision to meet the diverse needs of residents and businesses with a limited funding base. Shifting the current approach requires breaking away from deeply embedded assumptions of how local government is supposed to operate, opening new possibilities for community impact. While individuals can agree that in many cases change is needed, applying a singular solution through municipal restructuring ignores the history, practices, culture, capability, intergovernmental complexity, and the crushing volume of rules and regulations that all combine to reflect the interdependencies that exist within local government.

A COMMUNITY-BASED APPROACH

Determining pathways to strong, healthy, and resilient communities is a challenging conversation with many official and unofficial participants. The notion of municipal restructuring is typically focused on the viability of the municipality without understanding the broader context of the community where the municipal organization is only one piece of the puzzle.

When we acknowledge that jurisdictional boundaries are not solely responsible for defining either a local identity or sense of community, it becomes apparent that any conversation tied to changing the municipal structure should examine a broader relationship to the other sectors that collectively represent the community.

Recognizing that change is needed doesn't imply the local government is damaged beyond repair or devoid of assets. Managing any change effort embraces a stewardship of what we are trying to preserve and recognizes that the ongoing sustainability of these communities requires a new mandate for learning across all sectors. Changes can also be big or small. The scale of changes should be determined in relation to the problems that need to be addressed. Of course, the challenge many municipalities face is properly defining the problems rather than jumping to the flashiest, most impactful change.

The local government, as true champions and stewards of the community can take a leadership role in harnessing resources from public, private and non-governmental organizations to promote outcomes, rather than attempt to fund and/or operate local initiatives on their own. This represents an alternative form of partnership and collaboration that seeks to leverage assets in the community outside the local government. This does not represent a "silver bullet" either, but introduces non-traditional resources as that could contribute toward municipal resilience. Individual organizations, no matter how influential or well intentioned, are unable to effectively produce systemic change. Local government in the 21st century is increasingly a multi-sector, multi-stakeholder exercise.





LOCAL GOVERNMENT: AN ALBERTA CONTEXT

NEVER SETTLED: THE EVOLVING ROLE OF MUNICIPALITIES

On paper, the structure and purpose of a municipality in Alberta is straightforward. In fact, section 3 of the *Municipal Government Act* (MGA) explains that the role of a municipality is to:

- ◆ Provide good government,
- ◆ Foster the well-being of the environment,
- ◆ Provide services, facilities, or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality,
- ◆ Develop and maintain safe and viable communities, and
- ◆ Work collaboratively with neighbouring municipalities to plan, deliver and fund intermunicipal services.

Seems simple enough. Provide services, protect the environment, ensure safety, and collaborate with neighbours. However, when considering these roles in more detail, they all leave significant room for interpretation. Are the services necessary in a large city the same as those that are necessary in a rural community? Do safe and viable communities mean

eliminating crime, ensuring clean water, or both, plus more? The roles of municipalities in Alberta are intentionally subjective, intended to allow for a broad range of municipal actions, decisions and priorities to be linked to these roles, and for different municipalities to make different decisions and identify different priorities while still fulfilling their roles. Rather than producing a prescriptive list of what municipalities “may and may not do,” the MGA allows municipalities to serve their purpose in ways that align with their size, capacity, geography, and local priorities.

What this list also shows is that municipalities change across both space and time. As mentioned, depending on where a municipality is in the province and its size and population, meeting these roles could look significantly different. It also reflects the fact that municipalities must constantly adapt, because the expectations that both residents and businesses place on municipalities for meeting the above roles are constantly evolving. There is no specific list of what municipalities must do, as these would immediately become obsolete.

As an example, consider the role of municipalities established in Alberta's 1929 *Union of Municipalities Act*:

- ◆ The assessment of assessable property,
- ◆ The collection of taxes,
- ◆ The construction, repair and maintenance of roads and work incidental thereto,
- ◆ The relief of indigents, and
- ◆ The administration of any duty or power imposed on or given to the council of any municipality by any Statute.

Clearly much has changed, both in Alberta's society and economy. Before focusing on how municipal structures align with the realities of Alberta's municipalities today, it is important to consider how the roles and expectations placed upon municipalities have changed over the years, and the extent to which their structures have (or have not) reflected those changes.

AN EARLY EXAMPLE OF CHANGE



Local authority originated in Alberta in the late nineteenth century in the form of separate herd districts, fire districts, and statute districts, which were eventually combined into improvement districts in 1887. While much more limited in scope than municipalities today, each of these entities were intended to provide a specific scope of service (managing the use of land for grazing, responding to fires, etc.) over a defined local area.

As Alberta's population grew in the early twentieth century, the service requirements of residents increased and changes to municipal structures and scopes followed. In addition to improvement districts, separate ordinances for cities, towns, and villages were enacted in 1912, providing each type of urban local government with different powers and responsibilities to address the diverse, and potentially higher, service level needs of an

urbanized, denser population. Around the same time, some improvement districts transitioned to municipal districts (MDs), which operated as independent entities providing a broader range of basic services in rural areas.

While the expansion of municipal structures in Alberta began almost immediately after they were formed, other aspects of municipalities were much more standardized and inflexible than they are today. For example, Alberta's early municipal legislation standardized the size of MDs. According to a 1941 Minister of Municipal Affairs report titled *Local Rural Self-Government in the Province of Alberta*, the size of MDs increased from 72 square miles to 216 square miles in 1907, then again to 324 square miles in 1912. This unit stayed in place until 1942, despite significant public concern with the inability of the still relatively small MDs to raise the revenue needed to build and maintain road infrastructure to keep pace with the growing use of motorized vehicles for both pleasure and the movement of goods, especially linked to the agriculture sector. For the sake of comparison, the average size of a rural municipality today is well over 3,000 square miles!

The same report identified other weaknesses of the small, standardized rural municipality, including the high risk associated with a natural disaster devastating its entire agricultural economy, leading to a small-scale, local humanitarian crisis and eliminating the ability of the municipality to collect needed tax revenue from their rural agricultural base. Larger municipalities would lessen the likelihood that a natural disaster would impact the entire municipality and would ensure that at least a portion of the property owners could continue to pay taxes. The report also identified the inconsistency in assessment across municipalities. The small municipal size equated to limited capacity to identify and train individuals with the skills to assess effectively, leading to major inequity in how properties were assessed and taxed both within and across municipalities.

Based on changes in the economy and technology (larger farms and more reliance on motor vehicles) and an increasing clarity that rural municipalities could not adapt to provide services and infrastructure effectively in this changing climate, in 1942 the Government of Alberta conducted a major reorganization of Alberta's rural municipalities. The reorganization was based on the following principles (which still ring true today):

1. Reducing the cost of government by providing more efficient means of utilizing the funds collected.
2. Equalizing the burden of taxation and equalizing the benefits derived from taxation.

The Government of Alberta replaced the standard 324 square mile MD into a small number of larger MD units. Rather than striving for a standard size, the new MDs varied in size “according to the nature of the country and its state of development.”

The report outlined the benefits of the reorganization to meet modern and emerging rural service needs, and to ensure property owners across the province were treated more fairly in terms of assessment and taxation. Many of the arguments made in the 1942 report are commonly used to justify regionalizing or enlarging municipalities today, including the following:

- ◆ Merging municipalities will eliminate duplication and reduce administrative costs. There will be fewer municipal offices, fewer municipal councillors, and fewer administrators.
- ◆ Merging municipalities will broaden the tax base, equalize the tax burden among different areas and distribute the costs of government over a wider area and larger groups of people.
- ◆ Assessments will become more consistent, as the same individual will be responsible for assessing a much larger area.
- ◆ The planning and construction of roads will become more strategic. Roads will be planned and connected with more of a regional and provincial focus, and

municipalities will have the capacity to build some roads to a higher standard to accommodate high-speed and heavy traffic.

The report concluded by explaining that times had changed. While small MDs worked when they were designed for frontier times, the 1940s were much different, and people’s expectations of what municipalities should do had changed as well, as explained in the following excerpt from the report:

“The development of our Province has been exceedingly rapid. In the short space of 36 years, we have endeavoured to provide ourselves with buildings, schools, roads, bridges, etc., which has taken the older provinces about a hundred years or more to attain. Local self-government in its present form in the province is less than 30 years old and was largely brought about by the desire of having the development of local roads in the hands of local people. During the past 10 years the problems of relief, hospitalization, and social service have been such a burden, especially to the small municipal district, with its limited resources, that a large number are finding it difficult to meet their obligations without resorting to excessive taxation and consequent confiscation of property. It seems doubtful that the present restricted unit would ever have been set up had those charged with that duty been able to foresee the extent of services now rendered.”

As a result of the consolidation process, the number of municipalities in the province changed drastically between 1913 and 1950:

YEAR	VILLAGES	TOWNS	CITIES	MDS & COUNTIES	IMPROVEMENT DISTRICTS
1913	73	46	5	55	90
1917	104	49	6	167	189
1936	146	52	7	161	240
1941	145	53	7	143	216
1950	134	66	7	57	56

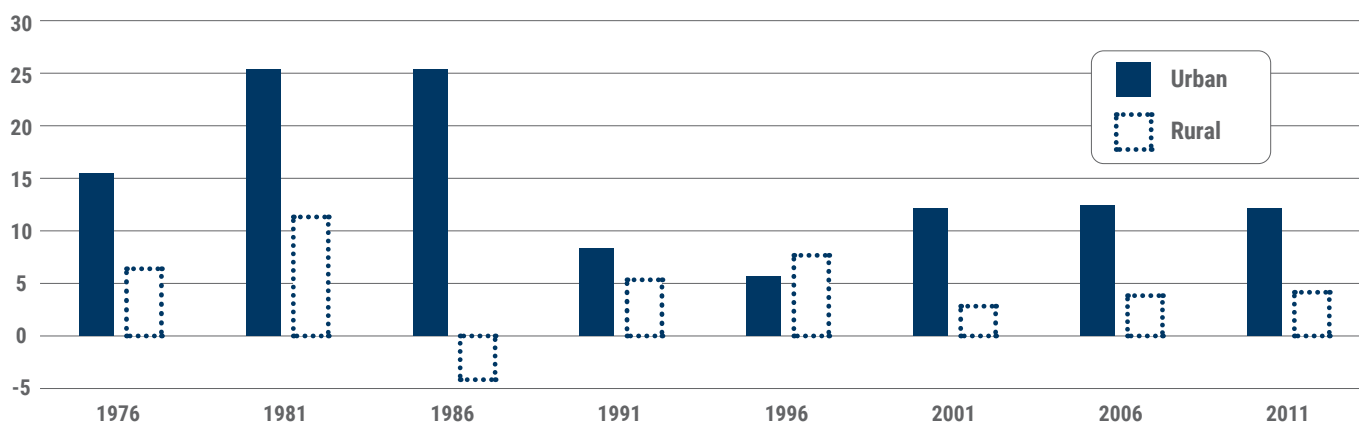
COMMUNITIES, MUNICIPALITIES, AND CHANGE

While the section above was an interesting history lesson, it also provides an excellent example of the role that municipalities play in supporting the development and evolution of communities, and the changing expectations that municipalities can encounter in meeting this expectation. In early twentieth century Alberta, municipalities evolved from a focus on ensuring local control over roads to being expected to provide solutions to many increasingly complex problems linked to technological changes, economic development, and other national and international trends beyond their control. Ultimately, the original rural municipal structure was not equipped to allow municipalities to meet the expectations of communities in relation to these changes, so the provincial government developed a new structure that would better position municipalities to serve local populations in a modernizing world.

This trend of community evolution and municipal adaptation repeats itself constantly and happens across different scales. While the 1942 example was extreme in that it was a province-wide restructuring of municipal boundaries and governance structures in response to a wide range of changing economic and social realities, this adaptation can be more limited as well. For example, as agriculture continued to become more industrialized and centralized as the twentieth century proceeded, rural municipalities further adapted their role in supporting the industry through how, and to what level, they built and maintained infrastructure. Rather than maintain roads and bridges at levels to allow small trucks to access

many small elevators, as the total number of farms in the province decreased from a peak of nearly 100,000 in 1941 down to about 57,000 in 1991, and 40,000 in 2016, rural municipalities had to deal with how to support a smaller number of large farm trucks using the same roads to access larger grain terminals. This evolution in the agriculture community required adaptation from rural municipalities and resulted in new standards for road and bridge design, the designation of heavy haul routes, more complex municipal decision-making processes on road construction and maintenance standards, as well as provincial action such as the creation of new grant programs specifically for this type of upgraded infrastructure.

Other, broader demographic changes also impact municipal roles and structures. Take, for example, the changes in population that often accompany the industrialization of agriculture discussed above. In Alberta, the share of the population located in rural areas has declined significantly in recent years. In 1976, 25% of Alberta's population was rural, while in 2011, this share had decreased to 16.9%. On the surface, the impacts of this change probably seem obvious. Fewer people equal fewer demands for services, fewer property taxpayers, and an increased provincial government focus on supporting urban communities that comprise a consistently increasing portion of the population. However, considering this more closely paints a more complex picture. Consider the chart below adapted from the Statistics Canada census of population, which shows the percentage by which Alberta's urban and rural population grow in each census compared to the previous census year.



Clearly, the idea of rural depopulation is not as straightforward as one would assume. From 1976 to 2011, Alberta's rural population grew consistently, meaning that rural municipalities were required to accommodate an increasing population and demand for infrastructure and services. At the same time, urban Alberta was growing as well, but much more rapidly. When we consider how this dual but unequal growth in urban and rural areas may have impacted Alberta's municipal roles and structures, a few general themes emerge:

- ◆ Urban municipalities have faced a consistently increasing demand for new and expanded services, infrastructure, and land to accommodate the ongoing growth of new population settling in urban areas.
- ◆ While rural municipalities are also dealing with consistent population growth, it is likely much less visible, especially to those in cities and provincial decision-makers, as rural landscapes are typically very large, and populations are dispersed.
- ◆ In conjunction with their more moderate population growth, rural municipalities are seeing changes to their historic economic driver (agriculture) with impacts on their revenues and infrastructure responsibilities, as well as the emergence of new industries (oil and gas, etc.), which employ a significant number of people that have migrated to the urban areas.
- ◆ As a result of the rapid urban population growth and changing nature of rural industries, development near municipal boundaries and the need for collaboration on how to coordinate services and infrastructure across municipal boundaries became increasingly common.

While the themes above are broad in nature and their relevance and impact varied across the province, the key takeaway is that Alberta's population growth has impacted municipal roles and structures in both urban and rural municipalities, and in a variety of ways. Combined with the other examples of technological and economic changes summarized in this section, it is no wonder that although municipalities are not often considered as being impacted by (or leading) community changes, they are often at the center of ensuring that services and infrastructure meet ever-changing community needs.



IS THE STRUCTURE KEEPING UP WITH THE CHANGES?

There have been a few examples of major changes to municipal structures in Alberta (such as the 1942 example above and more recently, the 1995 consolidation of several acts governing municipalities into the MGA). However, aside from some of these changes, the overall role, structure, and tools available to municipalities have remained largely the same, especially since 1995, despite significant changes in the province's demographic and economic growth, as well as resident and industry expectations for the type and level of services municipalities provide.

DOING MORE WITH LESS

As populations grow and demand for services increases, many Alberta municipalities have been forced to adopt a sustainable growth mindset in recent decades by considering how to accommodate a larger and more diversified population (primarily in the case of urban municipalities) or a growing and diversifying industrial base (mainly in the case of rural municipalities) without a correspondingly increasing set of revenue tools. Unlike other jurisdictions that have expanded the revenue tools available to municipalities, Alberta's municipal revenue generation options have remained largely unchanged, and consist primarily of property taxes and user fees.

Property taxes are extremely important to municipalities across North America, but especially in Alberta. While Alberta municipalities have other revenue sources such as business taxes, local improvement taxes, and user

fees, many of these tools are only used in large urban municipalities or for limited amounts of time to fund special projects benefitting a particular area of the municipality. Additionally, the tools available in Alberta have different levels of utility across municipal types. For example, user fees comprised 20% of revenues for all Alberta municipalities in 2018, compared to only 13.9% of revenues for rural municipalities. Due to the nature of the services that they provide, rural municipalities are less likely to collect user fees, as services such as transit and recreation are more common in urban

municipalities. This means that rural municipalities are even more reliant on property taxes to fund common rural infrastructure such as roads and bridges, which are rarely supported through user fees. This discrepancy is further reflected in comparing the share of property taxes as a portion of overall revenues. In 2018, the average Alberta municipality gathered 43% of their revenues through property taxes, while rural municipalities gathered 54%. Again, this suggests that even within Alberta, the usability of the limited revenue generation tools available varies by municipal type.

In terms of revenue types, common options available in other jurisdictions but not Alberta include:

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> ◆ Formal provincial-municipal revenue sharing (sales tax, income tax, gas tax, casino / VLT, vehicle tax, traffic fines) ◆ Saskatchewan, Manitoba, Quebec, British Columbia, Ontario: <ul style="list-style-type: none"> ◇ Edmonton / Calgary receive some fuel tax revenues ◆ Personal income tax: <ul style="list-style-type: none"> ◇ Exists in Manitoba as a provincial transfer ◇ Common practice in the United States ◆ Corporate income tax or payroll tax: <ul style="list-style-type: none"> ◇ Common practice in the United States ◆ Sales tax – all purchases: <ul style="list-style-type: none"> ◇ Common practice in the United States | <ul style="list-style-type: none"> ◆ Sales tax – Targeted (hotel, meals, billboard, liquor, lottery, fuel, etc.): <ul style="list-style-type: none"> ◇ Municipalities in Saskatchewan, Manitoba, British Columbia, Ontario, Quebec, PEI, Nova Scotia, and Newfoundland and Labrador have some variation of this taxation power ◆ Sales tax – Local Option (Targeted sales taxes at the local level and assigned to specific local projects): <ul style="list-style-type: none"> ◇ Common practice in the United States ◆ Vehicle registration tax / fee: <ul style="list-style-type: none"> ◇ Vancouver, Montreal, formerly Toronto ◇ Common practice in the United States | <ul style="list-style-type: none"> ◆ New vehicle sales tax (one-time levy): <ul style="list-style-type: none"> ◇ Common practice in the United States ◆ Parking tax: <ul style="list-style-type: none"> ◇ Vancouver ◆ Land sales taxes: <ul style="list-style-type: none"> ◇ Toronto, Quebec, Nova Scotia, Manitoba ◆ Surcharge on electricity / gas / waste: <ul style="list-style-type: none"> ◇ Vancouver, Saskatchewan, Winnipeg, Newfoundland and Labrador, Northwest Territories ◆ User fees – transportation (toll roads): <ul style="list-style-type: none"> ◇ Toronto ◇ Common practice in the United States ◆ Poll Tax: <ul style="list-style-type: none"> ◇ Newfoundland and Labrador |
|--|--|---|

Certainly, not all these tools would be widely used or even desirable in Alberta, but this comparison does speak to the limited flexibility available to Alberta municipalities to raise revenues.



ALBERTA (3)

Vacant non-residential
Small business
Other non-residential



SASKATCHEWAN (5+)

Commercial/industrial
Pipelines
Resource prod. equip.
Heavy industrial
Railway
Cities may set additional subclasses



ONTARIO (4+)

Commercial
Industrial
Pipelines
Managed forests
Municipalities may set additional classes



BRITISH COLUMBIA (7)

Utilities
Supportive housing
Major industry
Light industry
Business/other
Managed forest land
Recreational/non-profit

PROPERTY TAX LIMITATIONS

Even as property taxes are hugely important for Alberta municipalities, their use is relatively restricted compared to other jurisdictions. One of the key limitations that Alberta municipalities face is the lack of property tax classes available, particularly for non-residential uses. Currently, Alberta municipalities can create sub classes for residential property taxation through bylaw with few restrictions, however, [as per the relevant regulation](#), there are only three allowable sub-classes for non-residential property:

- ◆ Vacant non-residential property
- ◆ Small business property (fewer than 50 full-time employees; mill rate must be at least 75% of “other non-residential property” sub-class)
- ◆ Other non-residential property

Other restrictions include:

- ◆ The non-residential mill rate (or highest sub-class mill rate) cannot have a ratio greater than 5:1 compared to the residential mill rate.
- ◆ Machinery and Equipment is its own property class but must have the same mill rate as the non-residential property class (or other non-residential property sub-class).

Alberta’s limits on how different types of industrial property can be taxed is in stark contrast to other jurisdictions, many of which allow greater flexibility in how municipalities set tax classes and mill rates.

The lack of property tax categories relative to other jurisdictions leaves Alberta municipalities at a disadvantage in being able to balance their property tax burden in a way that fairly reflects the value of various property types and the municipal resources used by different industry/commercial sectors.

While revenue tools remain limited, municipalities within Alberta and across North America are facing an increased demand for the type of service they provide and need for new service delivery methods, as well as the role of the municipality in their daily lives. These trends have major impacts on municipal capacity, budgeting, and operations, and of course impacts different types of municipalities in different ways.



Individuals and businesses are evolving as customers, and they have higher expectations of municipal services and their surrounding urban forms. Traditional siloed or departmental perspectives are becoming obsolete in the digital era as today's governments begin to develop a value-chain perspective that lets them view service through the eyes of the customer. Now, when local governments look at redesigning and optimizing services, it's all about putting the citizen at the centre of the digital transformation. It's not about the technology, it's about how to serve citizens better.

SERVICE TYPES

As noted, Alberta's local governments were originally formed for very narrow purposes. As technology evolved and Alberta's population grew throughout the twentieth century, services that were once luxuries became expectations, and either assigned to municipalities to deliver through formal provincial requirements, or public expectations. Examples include drinking water, wastewater, recreation services, public transit, land use and development planning, solid waste collection, etc. While these services are currently seen as standard in most municipalities, at one point within the last century they were brand new and had municipalities scrambling to figure out how to best provide them.

Today municipalities face a new wave of service expectations, primarily linked to increased growth and the emerging importance of technology in daily life. A [2021 KPMG article](#) summarizes the emerging importance of technology and its role in serving citizens as follows:

"Individuals and businesses are evolving as customers, and they have higher expectations of municipal services and their surrounding urban forms. Traditional siloed or departmental perspectives are becoming obsolete in the digital era as today's governments begin to develop a value-chain perspective that lets them view service through the eyes of the customer. Now, when local governments look at redesigning and optimizing services, it's all about putting the citizen at the centre of the digital transformation. It's not about the technology, it's about how to serve citizens better."

Technology is a significant new frontier for municipalities. In Alberta, municipalities are challenged with how to use technology to better connect with and deliver

services to residents and businesses (as described in the KPMG excerpt above) and, as importantly, how to treat technology itself as a municipal service. For rural municipalities, a key component of attracting and retaining residents and diversifying their local economy is ensuring broadband connectivity is available throughout their jurisdiction. While this may be taken for granted in many urban communities, it is still lacking in many rural areas to the point where municipalities are becoming directly involved in the delivery of broadband service to their residents, rather than relying on the private sector. Investing directly in broadband infrastructure or service delivery has significant risks for municipalities, as it is a highly regulated and complex service, and is primarily provided by the private sector. Such investments often require partnerships with the private sector, as well as grant support from other levels of government. The Rural Ontario Municipal Association's [Broadband Connectivity: A Municipal Primer](#) describes this challenge well:

"Municipal governments do not have a mandated role in telecommunications, as connectivity is not considered a core municipal service. Telecommunications is largely dictated by the regulatory and funding landscapes at the federal and provincial levels. That said, [municipalities] are facing increased pressure from their communities to put connectivity needs on the agenda. As a result, many municipal governments are contemplating whether a role in telecommunications is possible and feasible, whilst also advocating to federal and provincial governments who are responsible for regulating and funding telecommunications."



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In addition to adapting to the role of technology in providing services and technology as a service, municipalities are facing a growing need to plan for growth and balance local and regional focuses in planning and service delivery. Intermunicipal and regional collaboration has always been an important aspect of municipal service delivery, but as Alberta’s population and economy continues to grow, the importance of working with neighbours to effectively plan for service alignment across boundaries has increased. It is important to note that this growing emphasis on regional collaboration, especially in the form of mandatory [intermunicipal collaboration frameworks](#), has resulted in many municipalities having to shift significant time and resources into considering how they fit into their broader region, and how decisions made locally may impact municipal neighbours and the overall success of the region in attracting residents and businesses. It has also led to difficult conversations about service level and tax rate differences across regions.

SERVICE METHODS

Historically, the methods through which municipal services are delivered were straightforward. Residents and businesses pay property taxes, and the municipality uses that revenue (along with grants, etc.) to build the assets required to deliver services and hire the people needed to operate or maintain the assets. While this is an oversimplification, the key point is that when municipalities were dispersed and service types and levels fairly basic, service delivery methods were mainly focused on direct delivery by the municipality.

Today, things have changed. Certainly, some services are delivered in this traditional fashion, but demographic and economic growth, combined with new and increasing expectations associated with service types and levels, has required municipalities to innovate in terms of their methods of service delivery. While countless non-traditional service delivery methods exist, most fall into either regional service delivery or private sector involvement in service delivery.

REGIONAL SERVICE DELIVERY

In general, regional service delivery refers to municipalities collaborating with one another and sharing resources to deliver one or more services across municipal boundaries. Regional service delivery often pursued in an attempt to achieve one or more of the following goals:

- ◆ Deliver services more effectively by utilizing economies of scale.
- ◆ Reduce the costs of the service by pooling resources, reducing administration, etc.
- ◆ Equalize the level of service across municipalities within a region.

While the concept is simple, the specifics of how regional services can be provided are much more complex and have historically been either a source of conflict and challenge in some parts of Alberta, or highly successful in others.



The most well-known recent example of regional service delivery in Alberta is in the form of intermunicipal collaboration frameworks (ICFs). The purpose of ICFs is to require municipalities to discuss potential options for intermunicipal service delivery with one or more neighbours. While ICFs can be viewed as a mandatory conversation among municipalities about if and how services can be delivered regionally, the actual methods of delivery can vary widely from informal, ad hoc agreements to highly formal structures with their own governance models.

PRIVATE SECTOR INVOLVEMENT IN SERVICE DELIVERY

Partnerships between a municipality and the private sector can take a variety of forms, ranging from a contract to deliver specific services using the private company's equipment (such as waste collection or snow removal) to full-fledged public-private partnerships (P3s) in which a private company builds, operates, and maintains infrastructure owned by the municipality. P3s are most common in larger-scale provincial and federal projects but are increasingly used locally as the types of service delivered by municipalities expands.

Collaborating with the private sector to deliver services can have significant advantages for municipalities, especially in cases where a new service need emerges that is not being delivered by the public sector independently but may be too complex or costly for the municipality to take on using traditional means.

Private sector collaboration also carries risk. First and foremost, from the perspective of the service user, the municipality is ultimately accountable for the quality of and level of the service. Depending on the type and detail of the service agreement, municipalities may have limited ability to remedy service deficiencies or issues, at least compared to a service delivered directly by the municipality.

While both regional and private delivery of services could easily warrant full reports on their own, the key point to consider is that the methods of delivering services have evolved in recent decades, mainly out of necessity, as municipalities have found ways to innovate to meet new and emerging local and regional needs within the current municipal structure.



THE UNIQUE NATURE OF THE ALBERTA CONTEXT

While municipalities in Alberta are all considered equal relative to their legislated responsibilities within the MGA, how municipalities function relative to their type is very different. This is not simply acknowledging the difference between rural and urban municipalities. The scale of “urban” municipalities runs across a very diverse spectrum from summer villages to villages to towns to cities. Not to mention the vast differences within municipal types. Similarly, there are differences among rural municipalities that make it difficult to lump them all under the same classification.

Recognizing the municipal structures in Alberta presents challenges in making “apples to apples” comparisons, it becomes even more complicated when including inter-provincial comparisons around simple comparative metrics (e.g., spending or revenue per capita) without articulating the Alberta context.

It is no surprise that municipal comparisons (whether internally across Alberta, nationally across provinces, or internationally) try to simplify evaluations. Trying to account for the complexities that exist across different scales, capacities, and geographies is a massive undertaking, that cannot provide the clarity that most of these types of comparisons seek. Creating simplified metrics and comparing communities across different systems of local governance ingrains the likelihood of the data confirming predetermined answers that fail to account for the nuance of how local governments function and interact in Alberta.

These comparison challenges lead to difficulties in determining when a municipality is functioning well, or when it is struggling. While there is a natural instinct to create baseline metrics or comparators, the diversity of municipalities within Alberta and the uniqueness of Alberta’s municipalities compared to those in other jurisdictions often make it difficult for decision-makers to determine the point at which restructuring, or another major change is necessary.

STRUCTURE VS. SCALE

While rural and urban municipalities in Alberta function under the same legislation, the scale of their operations, geography, population distribution, and economic drivers are drastically different. It is difficult to make relevant comparisons between rural and urban municipalities based on the following key characteristics that create a very different governance environment.

1. SCALE OF LAND USE:



All municipalities are required to use the same planning tools (i.e., Municipal Development Plan and Land Use Bylaw) to create planning policy and regulations. However, the scale and type of land uses within rural municipalities are very different than their urban counterparts.

Beyond the significant agricultural base and natural lands that dominate most of the rural landscape, most of the resource extraction and heavy industry, a significant economic driver of the province, occurs in rural municipalities and requires additional oversight by provincial and federal regulatory bodies, complicating local land use planning.

Given municipalities use the same types of planning tools, rural municipalities also address a variety of different styles of residential development. This can vary significantly across rural municipal scales, from individual farm sites to clusters of low-density “acreage” developments to higher-density and serviced subdivisions. Regardless of the scale of development, the common themes in all rural municipalities are the dispersed settlement patterns across a large geography and the greater potential conflicts between homeowners and agricultural and industrial operations. Residents seeking rural lifestyles from a residential perspective are often incompatible with the realities of rural land use.

Conversely, urban municipalities have a greater responsibility to facilitate the development of a variety of housing types and densities to accommodate a larger and more demographically diverse population. Single-occupant households, young families, senior citizens, new immigrant populations, assisted living, long-term care, among others all need to fit as key pieces of a complete puzzle in an environment that is influenced by a “not in my backyard” mindset.

2. ECONOMIC DRIVERS:



Given the nature of the scale of land use in rural areas, the assessment base in rural and urban municipalities are vastly different. The industrial and resource development in rural areas provide significant economic contributions to local, provincial, and national economies, while urban areas provide the housing for a significant proportion of the labour force.

This creates the impression that rural municipalities have excessive revenues, when compared with the local populations. This reinforces the challenge with creating comparative metrics based on per capita analysis given the very different context among municipal types. Solely focusing on spending and revenue on a per capita basis fails to address the significant investment rural municipalities need to address to accommodate the needs of the agricultural, resource extraction, and heavy industry sectors which do not incorporate per capita considerations, skewing the analysis and reinforcing the perspective of inequitable wealth between rural and urban municipalities.

Within the urban context, even in high-growth environments, the focus on the construction of new housing creates the perception of fiscal health. There are decades of research across North America that indicate the revenue generated by residential development is insufficient to deal with the cost of community services generated by housing. This is exacerbated when considering the long-term replacement costs of the infrastructure necessary to serve residential development. In some cases, the more an urban municipality grows the poorer it will eventually become.

3. SCALE AND TYPE OF SERVICE DELIVERY:



How rural municipalities sustainably deliver services is closely related to the differences in land use and economic drivers between municipal types. For rural municipalities, service delivery needs vary wildly between agriculture, resource extraction, heavy industry, low-density dispersed residential, high-density clusters, and hamlets. This spectrum of service delivery needs introduces complexity around how to define and deliver ranges of services and service levels that require ongoing evaluation of how to invest in the operation, maintenance, and replacement of infrastructure.

This range of service delivery considerations is further complicated when rural municipalities are involved in the dissolution of small urban municipalities when they are no longer viable. While this changes the municipal structure, the fabric of the community remains, as do all the challenges that contributed to the jurisdictional change. Not only do the local challenges remain, but the rural municipality also inherits an entirely new type of service delivery model that introduces operation, maintenance, and replacement responsibilities for urban services (e.g., water and wastewater distribution and treatment systems), many of which are close to the end of their useful life.

Urban municipalities provide a diversity of services to a diversity of different users. From large-scale public uses (i.e., healthcare, educational institutions, parks and recreation facilities, etc.) to private sector development (i.e., commercial retail, large-scale shopping centres, major employers, etc.) to a variety of social assets (i.e., shelters, social service organizations and clubs, cultural facilities, etc.) the scale and diversity of service delivery can vary significantly among different urban municipalities. The ongoing challenge is that the dynamics of the population are always changing, which requires continual evaluation of the changing service delivery needs.

A common challenge in the differences in service delivery between rural and urban municipalities is tied to providing recreation services, programming, and facilities. Because of the relative population concentrations between the municipal types, the majority of formal recreation opportunities are within the urban municipalities. This creates the inevitable, and constantly evolving, conversation around equitable access and funding for the various services. Recreation is a fundamental component of a strong and healthy community, reinforcing that a community is not defined by a line on a map.

4. ENVIRONMENTAL STEWARDSHIP:



As the global conversation continues to explore the role of governments, at every level, in adapting to climate change, rural and urban municipalities play a variety of roles in environmental stewardship. The nature of environmental stewardship in rural municipalities requires significant coordination and regulation with a broad range of environmental issues and challenges given the diversity

and scale of land uses that occur within rural areas.

Beyond the variety of government regulations that local authorities need to deal with, rural municipalities also have the unique role of coordinating shared boundaries and a land use interface with crown-owned lands where the rural municipality has no regulatory influence despite their inclusion within the municipal boundary.

Urban municipalities are typically addressing environmental stewardship efforts at more of a micro-scale but based on the consistent desire of people to want to be close to nature, it is a locally important role. Beyond the social benefits of natural areas and greenspace, urban municipalities must look for ways to incorporate environmental features into their overall infrastructure networks and creating opportunities for a dual functionality for its natural assets (e.g., large, treed areas can be preserved as part of an urban park while providing a stormwater management function).



Given the complex nature of the challenges and opportunities facing rural and urban municipalities in navigating their diverse social, economic, and environmental landscape, there is an inherent collaborative mindset that has been ingrained given the challenges of navigating local context by any single local government.

This has established natural transitions from a focus on individual municipal jurisdictions toward more collaborative partnerships. However, these collaborative efforts cannot achieve their maximum value if the partners do not fully appreciate the different contexts driving local decisions. Without this shared understanding, collaborative efforts typically focus on “win-lose” scenarios and fail to achieve their full potential.

THE ROLE OF MUNICIPAL RESTRUCTURING

RESTRUCTURING OPTIONS

Restructuring is not a new phenomenon. There are many different examples of governments from across the world who have been grappling with this discussion for decades. Within the concept of restructuring, changes have largely focused on redrawing the lines on the map to change the geographic construct of local government, fixated on improving the cost effectiveness of administration and service delivery.

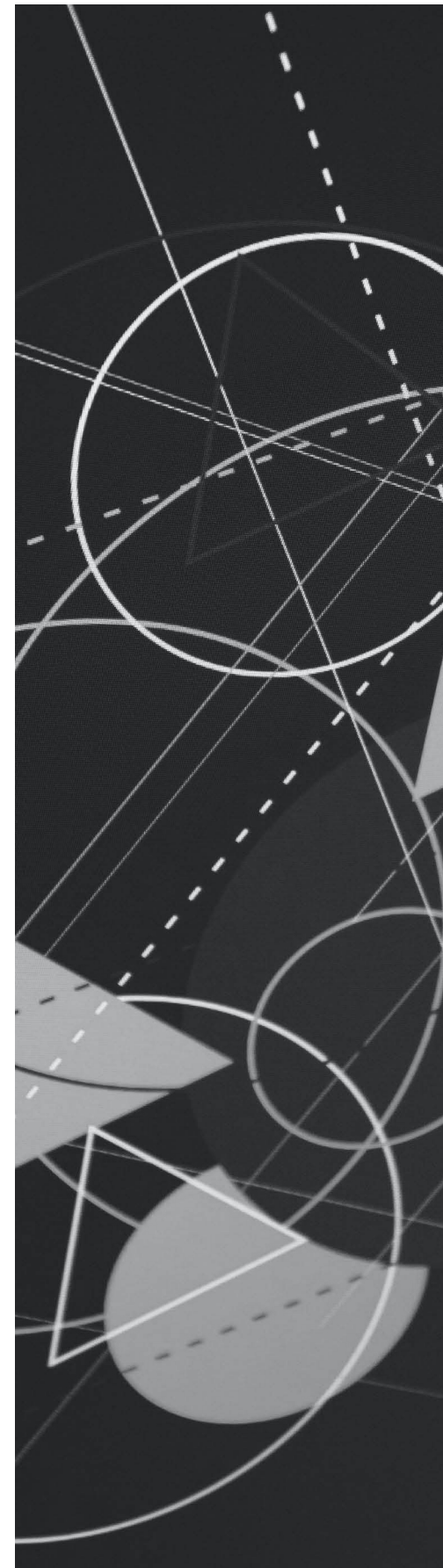
Voluntary restructuring is typically triggered in response to changes in the local context that exceed the structural capacity of, at minimum, one of the potentially restructured municipalities to adapt, and where intermunicipal collaboration can no longer effectively maintain separate, sustainable communities. Alternatively, restructuring can also be a top-down process driven by changes to provincial policy that redefines municipal responsibilities and redraws boundaries.

Changes to the structure of local government will range from a relatively minor change, typically associated with small (or large) boundary adjustments that shift the jurisdictions of defined land base from one municipality to another, to full-scale mergers of two or more municipalities into a new local government.

Restructuring efforts across North America have taken a variety of different approaches over the last 30 years. While the drivers and the format of each were different, the anecdotal evidence illustrates the following common threads among them all:

1. All were intended to improve the effectiveness and efficiency of local government.
2. The results were mixed.

Where neighbouring municipalities work closely together through informal regional structures, moving forward with a formal merger into a single-tier municipal structure can be a relatively simple process that intends to more directly link administration and decision-making to service delivery. This is the most common form of restructuring. However, there can be more informal options that establish a quasi-regional government that establishes a collection of municipalities within a region around specific services, while preserving the autonomy of the individual



local governments. Alternatively, a two-tiered system, prevalent in the British Columbia governance model, can separate roles and responsibilities among various villages, towns, and cities and the region. In this model, the region serves as both the equivalent of the municipal district for residents living in rural areas, as well as providing specific service delivery responsibilities for each of the urban municipalities within the regional boundary.

Restructuring has taken many forms in Alberta since the introduction of the MGA in 1995. As a reinforcement that there is not a “one size fits all” approach, the MGA provides the following set of tools to address municipal structures, the use of which will vary based on the challenge to be addressed. Following each tool is a brief example that points out challenges with each individual process.

1. ANNEXATION:

This has been the most common form of restructuring in Alberta. The key driver around the pursuit of annexation is almost exclusively an urban municipality identifying the need to increase the total land base within its jurisdiction to accommodate a projected amount of growth that the current land supply is incapable of supporting.

Annexations have been driven by a newly common practice throughout urban municipal development planning, outlining a need to maintain a twenty-year supply of developable lands within their boundaries as a general guiding policy for growth management. While this approach can be relevant in a high-growth, urban environment, it was largely adopted as a standard policy within municipal development plans, regardless of municipal scale and with very little rationale.

In effect, this established supporting policy within statutory plans across the province that narrowed complex decisions around growth and municipal restructuring to a simple land base calculation. Given the true nature of growth is tied to a variety of factors, not every municipality that annexed lands to meet this twenty-year land supply grew at the pace they projected within their application. The province is littered with examples of “growing” municipalities that annexed lands during one of the cyclical provincial booms, convinced they were the “next” one to reap the benefits, only to be left with a much larger supply of vacant land than they had before the annexation.

The concept of annexation focuses on the jurisdictional responsibility to accommodate projected growth. While this is certainly a question that needs answering if growth arrives, the process rarely asks the following questions:

- ◆ **What if growth doesn’t arrive?** The unintended consequences of having rural lands within an urban jurisdiction if they never convert to new development are rarely evaluated relative to their impacts on both the urban and rural municipality. Simply changing the jurisdiction of the lands does not prevent the continued agricultural use of the annexed areas. However, the province requires the annexing municipality to establish specific time horizons that provide clarity around when the annexed lands will transition from rural regulations and tax rates to urban. In a low or no-growth environment, this can create scenarios where landowners are asked to pay higher taxes without any real increase in levels of service, or it can lead to future requests to reverse the annexation and return the lands to a rural jurisdiction.

- ◆ **What if the growth does arrive?** The process to determine land needs is typically based on a relatively simple equation that converts targeted development densities to a corresponding land base and then analyzing how the development will be serviced. When municipal finance is incorporated into the analysis, it is typically through the lens of revenue generation and its contribution to a more sustainable and diversified tax base and not on the long-term infrastructure obligations the urban municipality is taking on and how that corresponds with the new revenue generation.

Beyond the nuanced evaluation of annexation and its impacts on the financial resilience of the municipality, the process inevitably surfaces competing agendas among urban municipal growth projections and the preservation of productive agricultural lands and natural areas. Any development, regardless of jurisdiction, is taking land out of its natural state.

The current annexation process does not fully embrace the complex nature of municipal restructuring. Annexation is based on applying a predictive model to elements that have interrelationships, interdependencies, and external influences that make predictions unreliable at best. This does not imply that municipalities should not be proactive about planning for growth, but they should also consider the following questions when evaluating how the annexation will impact the community's future:

- ◆ What percentage of the anticipated growth could be captured within the existing boundary through more effective land use policy and regulations around increased densities?
- ◆ What are the long-term financial implications of the new development beyond the anticipated tax revenue? Have the long-term operation and maintenance costs been estimated for the new infrastructure obligations? Has the tax revenue been considered relative to the future infrastructure replacement costs?
- ◆ Can the municipal water and wastewater systems accommodate the new growth, or will it catalyze significant expansions in the necessary capacity?
- ◆ Will the planned development generate enough revenue to pay its share of the municipal services necessary to accommodate the expanded municipality?
- ◆ Is there a clear understanding of the current infrastructure deficit? How will future growth and development impact the maintenance and replacement schedule of existing infrastructure?

While not a comprehensive list of questions to consider, this illustrates the broader range of potential implications on the sustainable future of municipalities through annexation.

EXAMPLE OF ANNEXATION



Village of Chipman (2010): As the provincial economy strengthened during the early 2000's, many communities were moving ahead with annexations based on the influx of population to Alberta. Perhaps one of the clearest examples of the predictive challenge with annexations, the Village of Chipman, with a 2011 Census population of 284, expanded by 14 vacant quarter-sections. The 2021 Census reported the Village population as 246.

2. DISSOLUTION:

EXAMPLE OF DISSOLUTION



Village of Tilley (2013): In 2013, the Village of Tilley was dissolved into the County of Newell. One of the main reasons that the village dissolved was due to a large infrastructure deficit that the village was unable to address through its limited tax base. As a result, the county was required to address the deficit. While the province provided some transitional support, this was more intended to address the costs of transitioning governance functions, and less so related to infrastructure costs. To address these infrastructure costs, the county relied on existing reserves (diverting them from other planned projects elsewhere in the county), as well as debentures and local improvement levies.

While the county was able to address the sudden infrastructure deficit, a more proactive approach between the province, village and county to seek solutions to the village's infrastructure issues (or to not allow them to escalate to such an extreme state) may have developed a less disruptive solution.

Dissolution is typically associated with assessing the viability of a municipality relative to financial, governance, operational, and infrastructure capacity to continue operating independently. Upon dissolution, the municipality is no longer incorporated and is absorbed into the adjacent municipality, which is most often the surrounding municipal district.

The focus of the dissolution process is on the dissolving community and its ability to remain an autonomous municipality. However, the receiving municipality goes through significant changes once the former municipality has been absorbed. The receiving municipality, typically rural in nature, is often asked to take on infrastructure and service delivery responsibilities that exceed their traditional mandate. While we often do not think of the dissolution of a rural municipality, it should be noted that the current system is not designed to address the complexity of a rural dissolution given the large size and asset base of most rural municipalities. Although a rural dissolution has not occurred in Alberta in recent history, it is a possibility and represents a risk to the current system.

Limited funding is typically made available to the absorbing municipality through a transition process, but is not typically adequate to cover the infrastructure obligations the rural municipality now must take on. Given the small scale of the assessment base within the dissolving municipality, the general revenue generation cannot adequately fund the operation, maintenance, and replacement costs.

While the initial focus is on assessing the viability of the dissolving municipality, the process does not fully evaluate how the dissolution impacts the viability of the new municipality. Under these instances, the underlying challenges of the dissolving municipality have not changed, and the "solution" is designed around restructuring without clearly articulating how it will improve the viability of operating the community, whether incorporated or not.

While the process of evaluating the health and stability of the potentially dissolving municipality can be a positive process, when accompanied by an either/or restructuring outcome it assumes the change in structure will solve the challenges and does not enforce ongoing implementation to address the root causes regardless of structure.

3. AMALGAMATION:

Under this process, two or more municipalities that share a common boundary are amalgamated into a single local government. For municipalities already engaged in comprehensive collaboration across multiple community objectives, amalgamation can be a logical next step in the evolution of a long-held partnership that is built around a shared vision.

When the intermunicipal relationships are strong, amalgamation can be largely procedural and seen as building from strength. This does not diminish the nuance of amalgamation, but rather illustrates the rare scenario for voluntary amalgamation that is the outcome of a series of incremental actions over time. The more typical approach is a forced amalgamation through provincial decisions or based on some type of municipal dysfunction.

In some cases, municipalities (or provincial authorities) may apply amalgamation as a solution to improve the financial condition of one or both municipalities. This is based on an assumption that the new, unified municipality will achieve economies of scale, operational efficiencies, reduced costs, and increased revenues.

While amalgamation may lead to these outcomes in some cases, there are also significant risks. Firstly, an amalgamated municipality is likely to develop service levels and operational capabilities that reflect the practices of the larger or higher capacity municipality involved. In other words, taxpayers are generally not receptive to “downgrading” the quality of services they receive through an amalgamation, meaning that in most cases, the newly amalgamated municipality will have to provide a higher level of service across the entire area, which can often offset savings identified through economies of scale and administrative efficiencies. Amalgamations elsewhere have also shown that the complexity of combining two or more municipalities into one can lead to short-term service and governance instability which, if not properly navigated, can become habitual.

EXAMPLE OF AMALGAMATION



Towns of Black Diamond and Turner Valley (2021): This has been the most recent example of amalgamation in Alberta since 2007 and the merger of Lakeland County and the Town of Lac La Biche., establishing Lac La Biche County. While the amalgamation has yet to be finalized, the two Councils have agreed to proceed with the merger. While the process has been imperfect at times, it is an example of incremental changes to intermunicipal collaboration and shared services that has progressed to the point where a voluntary decision has been made to change the governance structure. The process is a bit unique, given the merger of two urban municipalities, However, continues to reinforce strong collaboration with Foothills County and will result in enhanced partnership between the County and the future municipality.

4. REGIONALIZATION:

EXAMPLE OF REGIONALIZATION



Calgary Metropolitan Region Board (2018): While the province has moved toward creating regional Growth Management Boards around the two major metropolitan areas, the creation of a regional approach may not always strengthen collaborative planning efforts. While many argue the benefits of regional planning, the creation of the Calgary regional growth plan may have significant impacts on plans that have already been put in place, with Foothills County and the Towns of Okotoks and High River, that were established through a collaborative and partnership approach. In areas where strong relationships and a collaborative mindset are already in place, the shift to a regional model may have unintended consequences if it disrupts sound intermunicipal planning that has already been put in place.

In Alberta, The Municipal Government Act allows the Minister of Municipal Affairs to establish growth management boards (GMBs) for any groups of municipalities. GMBs are intended to require municipalities within a region to collaborate to support the following regional actions¹:

- ◆ Promote long-term sustainability.
- ◆ Ensure efficient land use, including environmentally responsible land use planning and growth management.
- ◆ Develop coordinating policies for regional infrastructure investment and service delivery.
- ◆ Promote economic well-being and competitiveness.
- ◆ Develop public engagement policies.
- ◆ Develop growth and servicing plans that guide planning and service delivery for the regions.

To-date, the GMB experience in Alberta is limited to the Edmonton Metropolitan Region Board and the Calgary Metropolitan Region Board. Each GMB includes the cities of Edmonton and Calgary respectively, as well as surrounding urban and rural municipalities.

While a form of municipal restructuring in the sense that it adds a mandatory regional level of municipal planning and decision-making, GMBs do not eliminate or modify the boundaries of participating municipalities, and in theory should not impact their autonomy. GMB participants retain their own independent council, staff, policies, bylaws, and operational mandates, but it introduces a new layer of bureaucracy that binds each of the members to a shared vision and set of goals and objectives. In practice, Alberta's GMBs have been hampered by significant governance issues, with many members arguing that their autonomy has been breached as larger GMB members have unfair influence over the local planning and development decisions of other members due to the weighted voting structure used.

Like amalgamation, GMBs have the potential to be a rational approach that increases the competitiveness of the entire region, to the benefit of the individual partners. However, in practice, it is more difficult to evaluate the effectiveness of GMBs as a true regional governance model given the typical power imbalance among the partners.

In the Alberta context, the implementation of GMBs has solely been built around the two largest cities in the province. This is logical when considering metropolitan planning areas, but creates power inequities among the membership and implies conflict among the rural and urban partners as they compete for a "fair share" of the regional growth and opportunity.

1 Government of Alberta, <https://www.alberta.ca/municipal-growth-management-boards.aspx>

SOLVING AN UNDEFINED PROBLEM

While we have seen an accelerating rate of change in municipal roles and expectations post World War II, the nature of how local governments operate remains largely unchanged since their inception over a century ago.

The world in which local governments operate has changed considerably, however the system has changed very little. The size of farms is getting bigger while the population sustaining them is growing smaller. Small towns are disappearing. The access to relatively affordable transportation by a large percentage of the population has considerably changed where we live, work, and shop, and has made accessing large cities like Edmonton and Calgary less a novelty and more of a day trip for those in many parts of the province. There has been a growing population migration to urban areas and increased “urbanization” of rural areas. Rapid technological change and the globalization of markets and competition transform the economic, social, and political environments of local governments.

As a result of these societal changes, local governments are dealing with more complex problems to solve, many of which spill beyond their borders. The concept of complex problems refers to non-linear systems where the relationships among variables is unstable, uncertainty is prevalent, and predictability is weak. There are a variety of different actors in the system, whose perspectives on goals, values, risk, and time all differ. When addressing complex challenges, where the influence of outcomes is increasingly outside of municipal control, the relevance of restructuring as a solution becomes weaker.

For example, many rural and small urban municipalities are facing challenges in improving Emergency Medical Services (EMS) in their communities. Even if they invest directly in enhancing first responder services, there is still a need to rely on a provincial system that is not locally accountable, has different service area boundaries that extend beyond municipalities, and is chronically understaffed, all of which make the impact of municipal investments unknown.

Trends in government structures cannot be predicted because implementing change depends on political decision-making, which in turn requires elected officials to understand their roles and abilities to influence local impacts when the local context is largely affected by higher orders of government, non-governmental sectors, and/or external environmental, social, or economic influences. It can be difficult for municipal decision-makers to both fully understand and influence increasingly complex issues as the scope of their powers and influence are often not broad enough to do so, regardless of how their municipality is structured.

When operating within a complex environment, actions and decision-making are occurring within a perpetual state of uncertainty (whether acknowledged or not). Uncertainty, beyond the obvious, means that individual actors are not sure, or even reasonably convinced, of what the right decision is related to how to solve a specific issue, or in relation to bigger picture considerations such as intermunicipal collaboration or how to define the “optimal” structure, because opinions differ on what the goals, outcomes, and priorities should be, and many outcomes are beyond the control of municipal actors. Someone who sees economic development as a municipality’s main role may perceive a municipality’s performance and the need for change very differently than someone who sees a municipality’s main role as delivering core services to residents. In both cases, provincial decisions or other unexpected changes could impact a municipality’s success. This is often referred to “Radical Uncertainty”, a term coined by Luigi Pellizzoni, describing situations where not only the means, but also the goals and structure of the problem are ill-defined. In these situations, Pellizzoni states that “no single subject, no matter how powerful and technically competent, is able to handle its dynamics in a traditional top-down style. Public actors cannot any longer assume the responsibility for developing and implementing an unattainable optimal solution to every problem”²

2 Luigi Pellizzoni, Uncertainty and Participatory Democracy, Environmental Values, February 2003

Research conducted on the limitations of reform in a local government context found that the derivations of uncertainty fall into the following three subcategories:

1. The complexity of issues: e.g., rising unemployment can lead to people moving away from a municipality to look for work, while the municipality's economic development efforts to attract new businesses are not working because they do not have an adequate labour force.
2. Actors' hidden preferences: e.g., when collaboration is forced or developed under strained relationships, there is limited trust and constant questioning about the participant's hidden agenda.
3. Communication problems: e.g., often linked with the second point, communication breakdowns, or withholding information as part of a power imbalance continue to erode trust and relationships.

As articulated, the increasing complexity of issues means the decision-makers are constantly facing uncertainty about not only the solution, but also the problem. As a result, they can feel trapped, never feeling like they have enough information or power to develop a solution that will satisfy the varied concerns of all perspectives, while simultaneously feeling pressure to take some action.³

3 Arto Haveri, Complexity in Local Government Change, Limits to rational reforming; Public Management Review, Volume 8 Issue 1, 2006



WHAT IS DRIVING THE DIALOGUE?

THE PERCEPTIONS (AND MISPERCEPTIONS) OF RESTRUCTURING

As the report has already discussed, restructuring is often framed as a straightforward solution to a complex problem. Proponents of municipal restructuring commonly advance similar arguments related to better services, lower costs, and reduced government. These objectives are legitimate and reflect successful operations for any type or size of municipality. What is less clear is how and to what extent restructuring will move municipalities in a positive direction in these areas. In fact, no ideal model for local government has emerged from studying the results of restructuring nationally and internationally, as many restructuring processes have failed to improve on those objectives, or in some cases even made them worse, at least for some participants. Some notable examples include Winnipeg's "Unicity" merger in 1972 and the "de-merging" of 27 municipalities from recently amalgamated Montreal in 2006.

THE PUSH FOR RESTRUCTURING: IS BIGGER BETTER?

The push for restructuring municipalities into bigger and fewer local governments often points to a rationale that a “regional” approach to “local” government offers greater financial capacity, better coordination of service delivery, more streamlined decision-making, and overall greater efficiencies. This has manifested around the following perspectives that have become commonly used by proponents of restructuring, especially at a wide scale.



1. **A regional approach provides a more effective level of governance, reduces intermunicipal disputes, and streamlines decision-making processes.**⁴

Reducing the number of municipalities changes the relationship between citizens and their elected officials and may diminish a sense of local representation. Access and accountability, both of which largely depend on the ability of citizens to have direct access to local government, is easier to achieve when local governments are smaller and more fragmented, as opposed to larger, consolidated municipalities. If access to local government is diminished, the general level of trust in local government wanes and levels of citizen participation decrease. Relatively small local governments play an important role in ensuring adequate local voice and accountability.

This challenge is by no means insurmountable. Within the new municipality, more localized citizen committees can be created, or the local government can establish satellite offices in the more remote areas to address citizen access and direct point of access service delivery (i.e., bill or tax collection, development permit inquiries and applications, etc.). Additionally, very small municipalities may allow for easy access to decision-makers, but the municipality may lack the resources or capacity to address citizen concerns or issues, making access somewhat pointless. Larger municipalities may be better equipped to action resident concerns or suggestions if they can develop a system that allows for access within a larger and more complex system. These types of initiatives can address the access, representation, and accountability challenges but may also erode the cost savings promoted by shrinking the scale of local government and reducing administration and staff.



2. **A regional approach can deliver services more efficiently, delivering the same number and level of services under a smaller bureaucratic footprint processes.**⁵

Restructuring to a larger municipal jurisdiction often assumes not only increased capacity of the new local government to fund and deliver services, but also that coordinating service delivery over a larger area will lead to a more effective and efficient service delivery model. Depending on the ultimate scale of the new municipality and the types and levels of service expected, this may be the case. However, the emergence of the subsidiarity principle highlights the importance of local decision making.

4 Brunet-Jailly, Emmanuel, “Local Government in a Global World: Australia and Canada in Comparative Perspective” (2010). The Institute of Public Administration of Canada Series in Public Management and Governance.

5 Slack, Enid and Bird, Richard, “Does Municipal Amalgamation Strengthen the Financial Viability of Local Government? A Canadian Example” (2013). ICEPP Working Papers. 2013. ICEPP Working Papers. 36.

The subsidiarity principle was included in the 1992 Treaty of the European Union. It suggests that efficiently providing services requires decision-making to be carried out by the level of government closest to the citizen the service is intended to serve. This reinforces that resources will be allocated with the greatest efficiency, accountability, and responsiveness. When there are local differences in context and costs, there are efficiency gains in delivering services in as decentralized a way as possible.⁶

It can appear logical that a unified and centralized government across a broader region can achieve greater efficiency and effectiveness in service delivery. However, if several urban and rural areas are combined into a single municipality, it is unlikely that services can be delivered to the same level throughout the entirety of the new municipality. The scale and cost of service delivery in a dense, urban area is different than in a dispersed, rural area. The nature of how the new municipality determines service delivery and cost recovery strategies can create inequities (either perceived or real) between urban and rural areas, which can undermine the rationale for amalgamation. Regardless of the municipal structure, the type and levels of service within rural and urban areas are different.

Within the new municipal structure, these differential levels of service need to be addressed relative to the capacity and resources necessary to expand sustainable service delivery across the entire municipality. Is it fair to ask rural residents to pay more for an “urban” level of service they may not want? Similarly, is it fair to tax all residents at the same rate but provide different levels of service in different areas of the municipality?

The current voluntary approach to regional service delivery in Alberta addresses this issue effectively; in cases where it makes sense for municipalities to collaborate in delivering a service across boundaries, they can easily do so. In cases where the service level expectations differ significantly, municipalities are free to provide the service separately.



3. **A regional approach makes better use of public money, through a greater cost-effectiveness of operations and service delivery.⁷**

The intent of restructuring to larger municipalities has been promoted as an opportunity to take advantage of economies of scale. Again, a logical argument that suggests buying in “bulk” as a single, larger jurisdiction would provide a more cost-effective approach than multiple smaller municipalities all spending money on equipment, materials, staff, or services. However, this is a blanket statement that assumes economies of scale are absolute and based on a causal relationship with the act of restructuring.

When considering the research on the outcomes of restructuring in the United Kingdom, the United States, Denmark, Australia, New Zealand, and Canada the evidence on restructuring leading to achieving economies of scale is mixed. In a series of studies conducted in the United Kingdom and United States, 8% found evidence of economies of scale, 29% found evidence of a U-shaped cost curve (with costs decreasing in the short-term and increasing as the scale of the government grew), 39% found no statistical relationship between expenditures and population size, and 24% found diseconomies of scale.⁸ While economies of scale are achievable, it cannot be claimed as a universal truth without clearly understanding the contextual drivers behind the push to restructure.

6 Barnett, Richard R. 1997. Subsidiarity, enabling local governance and local governance. In Hobson, Paul A.R., and France St. Hilaire (eds.), *Urban Governance and Finance: A Case of Who Does What*. Montreal: The Institute for Research on Public Policy

7 Schlacter, Bill, “Key Challenges and Strategies for Local Government” (2013). Fiscal Policy and Governance Committee. University of Pittsburgh, Institute of Politics.

8 Byrnes, Joel and Brian Dollery, 2002. Do economies of scale exist in Australian local government? A review of the research evidence. *Urban Policy and Research* 20(4):391-414.

It must also be noted that the nature of how economies of scale can be achieved are very different depending on the expectations around the type and levels of service. Costs and efficiencies are different across “hard” services (i.e., water, wastewater, and transportation) and “soft” services (i.e., protective services, garbage collection, recreation, planning, etc.). Hard services are capital intensive so larger governments have greater access to the capital investments needed to operate, maintain, and replace the infrastructure. The soft services are typically more labour intensive and more unlikely to demonstrate economies of scale, and in many cases the costs of service delivery increases depending on the levels of service that the new municipality decides to deliver.

Despite the potential cost savings associated with hard services, this is also largely dependent on the nature of the restructuring. From an Alberta context, a municipal district went through two separate forced restructurings that resulted in the dissolution of villages into hamlets that were now under the jurisdiction of the rural municipality. While clear that the villages were no longer viable as autonomous local governments, the resulting restructuring generated an estimated \$10 million in necessary wastewater infrastructure investments over a 10-year timeframe (which is theoretical based on the estimated useful life of the distribution system and lift stations). This was an involuntary restructuring that resulted in considerable new costs to the “new” municipal structure that is accompanied by no anticipated population growth within the hamlets, no anticipated additional tax revenues, and no shared benefit to citizens living outside the hamlets.

Achieving economies of scale has a strong connection to the density of development within the new municipality. Outside of the consolidation of large metropolitan areas, restructuring typically creates small, urbanized areas surrounded by large expanses of dispersed rural development, that are more costly to serve.

The expectation of cost savings stemming from restructuring has proven elusive. Restructuring of two or more municipalities inevitably eliminates some duplication, reducing the total number of elected officials and administrative staff. However, when merging municipalities with different service types and levels,

as well as municipal employee pay scales, there is the potential that total costs may increase. Total staff compensation tends to level out at the highest level among the former municipalities. This increase in salaries will minimize any cost savings from eliminating staff and service duplications.



4. Eliminating local governments reduces “red tape” and the number of regulations landowners, businesses, and developers need to deal with, making the larger municipality more attractive for economic investment.⁹

Restructuring has also been supported through a macro provincial lens that sees the reduction in the number of municipalities as the removal of barriers to investment.

While true that each individual municipality carries with it a unique set of planning and development policy and regulations, restructuring to a single municipality establishes a single set of “rules”, but it does not change the nature of the policy and regulations within the distinctly different areas of the newly formed municipality. In some cases, asking a company to work with a single municipality with a series of development plans and rules could be more complex and administratively burdensome than working with a smaller municipality with a more straightforward planning approach.

Local government certainly has a role to play in economic development and investment. However, the private sector makes decisions on where to invest in new or expanded business or industry based on a variety of community factors that the local government may, or may not, have any direct influence over.

⁹ Miljan, Lydia and Spicer, Zachary, “Municipal Amalgamation in Ontario” (2015). Fraser Institute.



The local government often thinks about economic development through the lens of what they can control, which is typically associated with access to land that has the necessary services, appropriate land use designation, flexible lot sizes, and competitive tax rates. While all this factors into economic development investments, the private sector is often more concerned with proximity to a skilled labour force that matches their needs, a healthy and diverse housing supply, access to resources and markets, and a community that has amenities and services that can attract and retain citizens.

Restructuring municipalities into metropolitan regions can create a regional attraction for economic investment that establishes anchors at provincial and national scales. However, when considering what most restructuring looks like in Alberta, the creation of a new municipality is unlikely to establish the scale and opportunity that would enhance the region's attractiveness. The nature of the structure remains the same, there are just fewer jurisdictions competing for economic investment.

Whether advocating for or against restructuring, the rationale is never absolute in the absence of local context. Whether or not restructuring addresses these arguments

is critical in deciding how to proceed. Each of these arguments can be true. In some cases, the conclusion is obvious. For example, once amalgamated it is certain that there will be fewer elected officials and it is very likely that there will be fewer senior administrative staff. However, if you are considering whether restructuring will decrease the overall operating budget, this is an unknown that requires an in-depth analysis of current assets and infrastructure, current and planned levels of service, combined staffing needs, and reasonable expectations on the projected revenue. Even then, it may not be fully understood until you move forward and analyze the real-world results.

We can discuss the intent of restructuring around the desire to create strong and healthy communities, but how do we define the extent of the community? How do we know what areas of the community are strong and healthy and which ones are weak and ill? The nature of how municipalities are defined does not reflect the nature of how we identify communities. While "community" boundaries are not an objective component of local governance, they are an important factor in how municipalities collaborate and should be considered.

THE ALBERTA TOOLBOX

Municipalities in Alberta have a variety of tools to help address many of the reasons provided for restructuring. However, simply having the tools available does not mean that they are useful in all situations and the tools themselves cannot act as a replacement for strong, trusted relationships among municipal partners, which is a pre-requisite for effective collaboration.

While the tools cannot solve relationship challenges, in instances where intermunicipal collaboration successfully exists, there are opportunities to strengthen how local governments work together prior to jumping to an uninformed conclusion that restructuring is the answer.

There is no prescribed formula for how to use the individual tools, or how to uniquely combine the implementation of the tools. However, given the current restructuring options within Alberta, the following provides a general overview of how the existing tools can be used to address the typical drivers behind the push for restructuring.

1. ANNEXATION:

- **Intermunicipal Development Plan (IDP):** Historically, these have often been used to pre-determine the future annexation areas for the urban municipality, however the tool is designed to manage land use planning at the boundary interface between two municipalities, regardless of jurisdiction. An effective IDP can help to reduce the need for annexations by ensuring a collaborative approach to boundary-area development, or set thresholds and triggers for when annexation is necessary to allow for support from both involved municipalities.
- **Joint Development Area (JDA):** When used in concert with a strong IDP, defining a JDA can highlight mutually beneficial development areas that can bring prosperity to the entire region. Under the JDA scenario, the jurisdiction is irrelevant, as the concept is accompanied by collaborative agreements that outline how the partnership will share in the costs of development and the future revenues it generates.

2. DISSOLUTION:

- **Intermunicipal Collaboration Framework (ICF):** Dissolutions are typically the result of an external review that determines a municipality is no longer viable and that the only solution is for its dissolution into another jurisdiction. The nature of viability is often determined through a lack of capacity in one or more areas that are critical to effective local governance. The ability to establish a functional ICF before capacity limitations cumulatively contribute to municipal failure can identify and alleviate key challenges, minimizing the impacts on the receiving municipality.
- **Cost-Sharing Agreement (CSA):** In some instances, a CSA may be part of an ICF, however when considering dissolution, the nature of collaboration is imbalanced and traditional forms of collaboration are more challenging to implement. Under these circumstances, the partner municipalities could explore more targeted cost sharing initiatives and/or shared service delivery models. Given the typical low-capacity nature of the potentially dissolving municipality, these initiatives could take the form of providing specialized operational support (e.g., certified water and/or wastewater operator), administrative support (e.g., shared CAO and/or CFO), or staff support (e.g., planning and development review).



3. AMALGAMATION:

- **Intermunicipal Collaboration Framework (ICF):** Under a potential amalgamation scenario, it may be important to explore an effective ICF agreement prior to restructuring to ensure the municipalities have a clear understanding of both the scale and levels of services that are provided across each jurisdiction. Establishing clarity on service delivery through an ICF can begin to establish efficiencies and facilitate a path to restructuring based on a functional progression of intermunicipal collaboration.
- **Regional Service Commissions (RSC) or Utility Corporations (UC):** There are cases where service delivery for each individual municipality is cost prohibitive to the point that establishing a RSC or UC is both a more effective and efficient model for sustainable service delivery. Establishing these formalized partnerships can alleviate capacity challenges facing any of the partners and remove the illusion of incentives for restructuring.
- **Joint Economic Development (JED):** As municipalities work towards amalgamation, a logical progression toward restructuring involves a shared pursuit of JED. A singular approach to economic development increases the competitive environment between municipalities as the need for non-residential revenue increases. This narrow municipal approach to economic development focuses on opportunities that create “win-lose” scenarios tied to municipal finances. Amalgamation can open up access to more developable land and human and financial resources to implement economic diversification initiatives.



MEASURING WHAT MATTERS

THE NEED FOR STRONG, HEALTHY COMMUNITIES

That communities are complicated is clear. There is a lot going on from roads, to homes, to businesses all interacting with people of all ages and demographics. But complicated is different from complex. Complexity emerges from the collection of interactions within the community. Given the changing nature of these interactions and the evolving impacts from external forces, the results are unpredictable and can demonstrate no direct relationship between inputs and outputs. However, we continue to treat communities as complicated systems and build our expectations around the illusion of predictable results. For example, we annex land, rezone it for industrial purposes, and provide the necessary servicing, but are confused when a successful industrial park does not appear.

There needs to be space and openness for conversations that extend beyond the simple binary of reinforcing the status quo or restructuring. Given the many different factors that contribute to the relative health of any given municipality, their complex interconnections make it difficult to confidently assert that restructuring is the necessary solution.

Restructuring is considered a complex process because it impacts every facet of the municipality's current structure and operations. When considering whether to merge municipalities, the responses from citizens, elected officials, staff, and administration will be different based on their own individual perspectives on the issues that restructuring may solve, or the different opportunities it may present.

Many restructuring processes are rushed into by governments attempting to gain the benefits of a merger without first identifying key goals and desired outcomes or understanding potential pitfalls and how to deal with them. Restructuring that begins through an external mandate or that is driven by only one municipality despite impacting others will often struggle because the partners have not come to a shared agreement around if or why the restructuring is in their collective best interests. Despite the local leadership, it is nonetheless important to be explicit about why a merger is on the agenda in order to focus on common ground and build consensus.

THE DRIVERS OF GOOD GOVERNANCE

While we can debate the mechanics of different structures, what we need to start with is a clear understanding that the system of local government, and how it contributes to the community outcomes we are striving to achieve, does not always function the way it was intended. Given the role and the authority of local governments within the governance hierarchy, we need to ask ourselves how is simply restructuring the lowest tier of government going to make any significant changes to the current issues?

This is a complex conversation and when we simplify it with the assumption that there is a single solution, we empower our individual and collective blind spots at the expense of more creative ideas. When we consider restructuring through the lens of different elements that, collectively, define a community, it is evident that evaluating the effectiveness of any municipal structure needs to consider a variety of different perspectives.

While local government challenges loom, it remains the most efficient level of government because of its smaller scale and better understanding of what the people need. However, regardless of the potential efficiencies at the local level, these are rendered largely irrelevant if the municipality does not have the capacity and resources necessary to effectively manage the complexity associated with the delivery of services.

The idea of “good governance” recognizes the blurred boundary between public authority and private action in real-world policy development and implementation. Governance can be considered as the processes by which public decisions are made, the mobilization of public and private resources to implement them, and the evaluation of their outcomes. “Good governance” is seen as a relative concept, often boiling down to a feeling that some places are considered to be better governed than others.

Regardless of the relative perception on the strength of local governance, what is critically important is that the local government is seen as legitimate. If the public stops seeing the local government as legitimate, the voluntary compliance with public decisions will deteriorate.

It is important to be realistic about the capacity of local governments in relation to the scale of problems they are expected to address. The nature of the social, economic, and environmental challenges we collectively face extend far beyond the spatial boundaries of local governments. This challenges the ability to effectively define accountability and hold local government responsible for the ability to influence positive outcomes.

For example, municipalities may feel they need to take action to stimulate economic development and attract new businesses. The local government will act based on how they think they can influence location decisions, which is typically through lower taxes or some other form of incentive. While this may seem as a logical step in attracting economic development, it is often seen as a “race to the bottom”. There has been extensive research done on the success rate of tax incentives in attracting business and industry. While taxes are an element of the decision-making process, businesses are far more concerned with the long-term stability of the municipality and its ability to fund the critical infrastructure and services required for the health of the business and its labour force. According to an Economic Policy Institute report, investments in public assets contribute significantly to private-sector productivity, with estimated rates of return averaging around 30 percent. If taxes are reduced, then there is less revenue to invest in public infrastructure, which is a stronger determinant of economic activity.

KEY CONSIDERATIONS

The following considerations and associated questions can help municipal decision-makers to think through complex local challenges and how restructuring may or may not improve the strength of the community.

1. CHANGES TO THE POPULATION:



Both population decline and growth leads to significant challenges for local governments. Declining populations generally lead to declining revenues, limiting the local capacity to maintain service delivery and operate, maintain, and replace critical infrastructure. Expanding populations face different, though equally important challenges, often around the need to upgrade or build new infrastructure, expand services, and increase internal capacity to meet the growing demands.

Beyond simply the rise and fall of the population, the demographic composition and density of development are significant contributors to the local government's ability to sustainably adapt to the changing service delivery needs and keep up with infrastructure maintenance and replacement needs.

The impact of population change will vary by municipal type and the extent to which people drive revenues costs, and service delivery (e.g., rapid population decline in a town will typically have a bigger impact than in a municipal district because a higher portion of a town's tax and service base is residential, compared to the municipal district which will typically have a higher portion of non-residential development). However, the scale and composition of the local population is an important factor supporting sustainable service delivery and can dictate changes to the types and levels of service provided.

- ◆ Given the population and demographic trends and forecasts, is the current structure likely to provide sustainable service delivery and cost-effective infrastructure maintenance and replacement?
- ◆ Would restructuring result in a demographic profile that would support sustainable service delivery and cost-effective infrastructure maintenance and replacement?

2. ECONOMIC DEVELOPMENT:



Local governments play a variety of roles in economic development through infrastructure provision, land use regulations, promotion, and convening multiple stakeholders. Municipalities in Alberta are often characterized by the diversity of the industry types that they host, ranging from agriculture and natural resources to highly specialized industrial clusters to "single-industry" municipalities.

While municipalities and their supportive economies are diverse, there are two key aspects that are consistent across all local governments. First, there is no longer any such thing as a purely "local" economy that is defined by a jurisdictional boundary. The nature of economic activity and labour force mobility renders it all but impossible to contain economic development according to individual municipalities. Second, while local governments have a role to play in economic development, it is often less important than they may think. Local context and the availability of the assets deemed necessary by industrial sectors are what drive location decisions, not the availability of lands with the appropriate land use designation and low tax rates.

Economic development and growth vary across municipalities throughout the province and in smaller communities, or more rural and remote, and those that rely on single industries, volatile changes in economic activity or declining industries can decimate municipalities and place significant financial pressure on the local government's ability to maintain existing infrastructure and services.

- ◆ How can local government respond to and shape economic development, not just at a jurisdictional scale, but across a broader region?
- ◆ Is the structure of the municipality helping or hindering economic development in the region?

3. ROLE OF LOCAL GOVERNMENT:



While Section 3 of the MGA defined the purpose of municipalities, the broad nature of the definitions leaves significant room for variation on a local government's ability to satisfy their role. As noted, the nature of communities has become much more complex than when local government originated and municipalities of all types and scales are increasingly expected to provide higher levels of service for the traditional activities while also delivering more and newer infrastructure, facilities, and services.

As the complexity of community challenges increases, the scale of regulation also grows. This can put a tremendous strain on the capacity of local government to not only deal with increasingly complicated rules and regulations, but also to maintain the quality of internal policy and legislative processes needed to effectively keep up with the changes. Gone are the days when local government was expected to merely regulate dogs, buildings, and a bit of land use. Local governments increasingly need greater resources and capacities to keep up with their emerging roles. This does not simply translate to "bigger is better". Smaller municipalities, with limited resources, can limit the scope of their focus on the basics to manage the impacts on local taxes. For example, smaller municipalities are nimbler to engage with citizens on direct trade-offs around how to invest limited resources on critical infrastructure vs. other municipal services. This alone is not a solution to sustainable service delivery, but the smaller scale municipality can be more effective at managing citizen expectations.

- ◆ How do you view the roles and responsibilities of local government? Is the current structure helping or hindering the municipal ability to effectively function within their roles and responsibilities?
- ◆ Is the current model for service delivery the most cost effective? Is there an opportunity to shift some of the roles and responsibilities to another model or shared scenario?

4. MUNICIPAL FINANCE:



One of the most common arguments for restructuring is that fewer and bigger municipalities will result in cost savings and efficiencies through economies of scale. In theory this makes sense. However, in practice, there is little evidence of enduring reductions in staff and costs.

As noted, there is no international consensus on the optimal size of local government, mainly because municipal roles, responsibilities and powers vary across the world (and across Canada). There are a variety of contextual changes and pressures that have, and will continue to, drive the cost of local government. However, restructuring cannot in itself guarantee sustainable costs and service efficiencies. What matters immediately following restructuring is for the new local government to demonstrate a sustained commitment to defining and retaining the benefits of the economies of scale and maintain a firm control over costs.

Again, in theory, this makes sense. However, this ignores the political influence on decision making and makes the default assumption that restructuring was the best option for driving cost savings and efficiencies. Could these efficiencies have been achieved through shared service agreements while retaining the benefits of local autonomy?

- ◆ Can you articulate the cost savings that would come from restructuring? How will these cost savings be applied?
- ◆ What shared service, or other, cost savings initiatives are currently being pursued at an intermunicipal scale? Would restructuring improve these savings?

5. LOCAL DECISION MAKING:



In addition to maintaining infrastructure, delivering services, and implementing regulations, local government also has a responsibility to enable democratic local decision-making and actions on behalf of the citizenry.

The technological changes to transportation and communication have changed how we define “local”. What was local in 1922 looks very different than 2022, and it is hard to imagine what this will mean 100 years from now.

While this suggests that larger, and more dispersed municipalities could be democratically viable, it limits the direct access to local government and impacts the nature of political representation. Bigger local governments may become more remote from their constituents, creating a divide between the “rural” and the “urban” areas. These are not insurmountable, but require considerable effort and ongoing engagement to ensure equitable representation is in place and that every citizen feels like they can continue to have their say.

This can often be viewed through two very different perspectives and therefore the success of the restructuring would depend on your point of view. Advocates for restructuring take the position that decisions at a regional scale would achieve better outcomes and fall closer in line to citizen wishes. Opponents would argue that regional decisions would impact local communities and deprive them of facilities and services that become geographically centralized.

- ◆ How effective is local decision-making?
- ◆ How would decision-making processes and their outcomes be improved through restructuring?

FRAMING THE SYSTEM

As a way of increasing the focus on the complexity of municipal restructuring decisions, we have contemplated an evaluative process that considers the complex nature of communities. While fiscal efficiencies will always play a role in evaluating the need and options for restructuring, this approach moves away from those metrics as the critical evaluative factors and designs the evaluation process through more of a system thinking approach.

This approach considers restructuring options relative to the underlying challenges facing the municipality and the potential impacts of the structural change. This approach will generate more productive dialogue among the municipalities considering restructuring and take a deeper exploration into what is driving the conversation.

When thinking about transformative change at a system level, it is important to explore what is happening below the surface to a depth that goes well beyond what simple metrics (i.e., service costs per capita) can describe. When considering the question of restructuring systemically, intermunicipal relationships can be explored in a holistic manner to identify the changes needed before jumping to restructuring as a solution to a problem that has not yet been fully defined.

Recognizing the systemic nature of communities, and the variety of influences on their functionality, the following diagnosis tools can be used by municipalities to self-reflect on restructuring options from an internal and external perspective.

INTERNAL SYSTEMS CONDITIONS

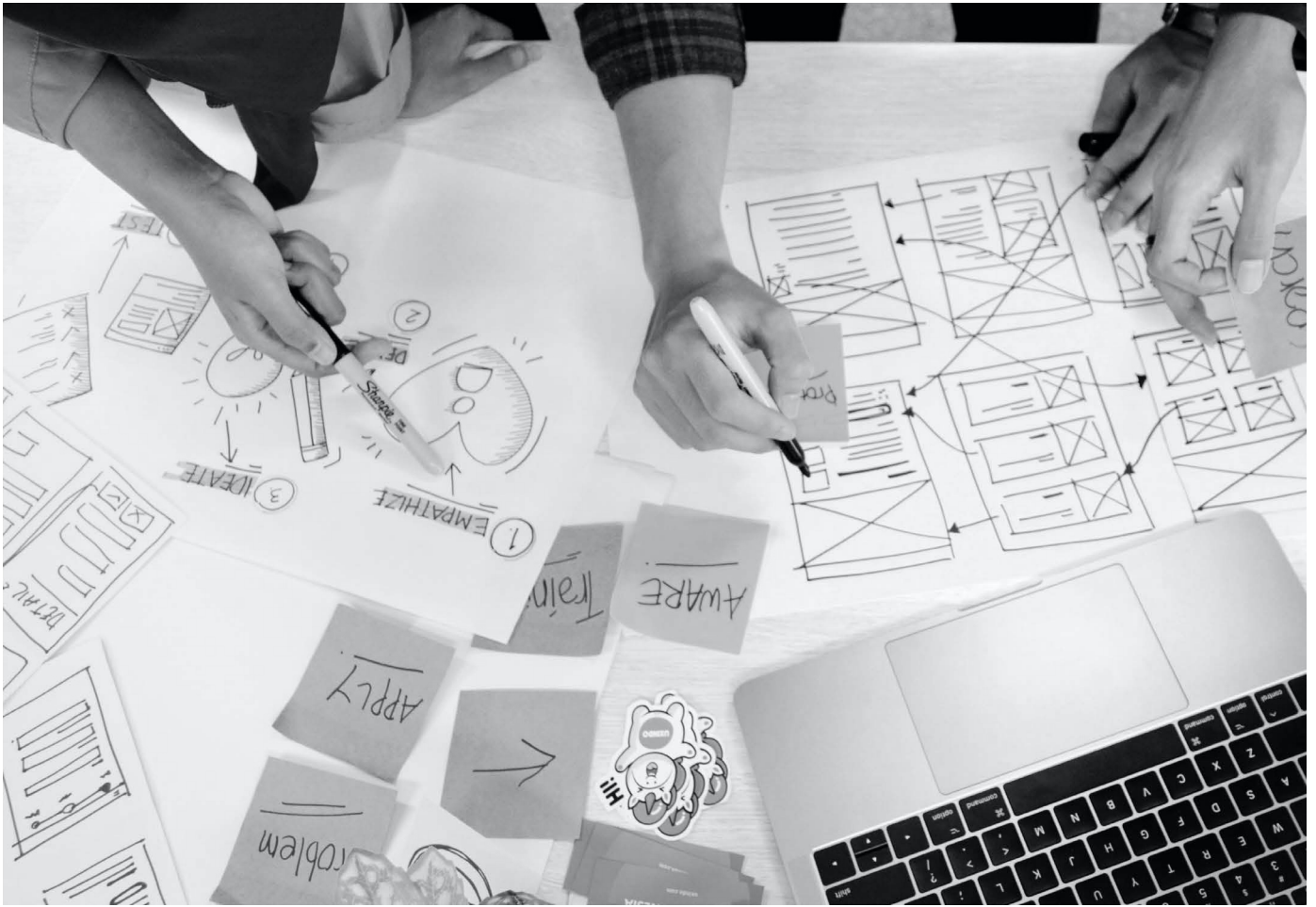
When considering the internal conditions of the municipal systems contributing to intermunicipal collaboration, the following structures need to be considered:

1. **Institutional Structures:** this relates to the existing regulatory framework, organizational practices, and capacity.
 - a. **Policies:** the rules, regulations, and priorities that reinforce intermunicipal collaboration (or better or worse).
 - b. **Practices:** the targeted organizational actions that contribute to sustainable community development.
 - c. **Resource Flows:** the allocation and distribution of money, people, knowledge, and information.
2. **Economic Structures:** the current economic drivers that inform the local context.
 - a. **Assessment Base:** the size, diversity, and relative health of the local tax base.
 - b. **Fiscal Resilience:** a financial snapshot of the key economic drivers and risks influencing the economic wellbeing of the municipality.
3. **Relational Structures:** the routines, norms, and culture that drive the current intermunicipal relationships.
 - a. **Relationships and Connections:** quality of connections and communication between municipalities.
 - b. **Power Dynamics:** who holds decision-making authority, power, and influence (formally or informally)?
 - c. **Mental Models:** deeply held beliefs and assumptions that influence actions.

EXTERNAL SYSTEMS CONDITIONS

When considering the external conditions of the municipal systems contributing to intermunicipal collaboration, the following elements need to be considered:

1. **External Influencers:** these refer to broader trends happening outside the region that are of such critical importance they have some level of influence at a local scale. While these are largely outside of local control, it is important to remain aware of their trends and how to adapt decision-making processes.
 - a. **Social:** represent broader societal trends, whether cultural or demographic, that can influence perspectives of the local population and the size and diversity of the population itself.
 - b. **Economic:** broad economic factors can play a significant role in the strength of the local economy and can be key determinants in the region's ability to strengthen its resilience.
 - c. **Leadership:** determine the extent to which levels of government can influence conditions at the local level through changes in policy, budget allocations, or by introducing new regulations.
2. **Citizen Perceptions:** local governments exist to deliver services to citizens. It is important to understand how citizens feel about the functionality of the local government and their general satisfaction with their representation, service delivery, and cost of services.
 - a. **Service Delivery:** Levels of citizen satisfaction of service delivery as well as citizen awareness and understanding of service costs is an important factor in evaluating how connected a municipality is to its citizens.
 - b. **Participation:** consistent participation reduces the level of distrust and increases local capacity to understand the role of local government.
3. **Relevant Actors:** it is clear there are other actors that contribute to strong and healthy communities beyond the local government. Partnerships can extend beyond municipal when considering sustainable community development.
 - a. **Private Sector:** working with the private sector to better understand the preconditions for a thriving economy and establishing stronger partnerships with local businesses and industry.
 - b. **Social Services:** social asset building and management reinforces the formal and informal organizations, networks, and partnerships that contribute to a welcoming and inclusive community and are a key part of sustainable social service delivery, acknowledging that the local government cannot functionally deliver all of the services the community needs.



DESIGNING A PATH FORWARD

The intent of the “Framing the System” section is to generate a clear understanding of the various forces that have contributed to the current system in which the municipalities operate. Building a stronger awareness of the system will help identify the factors that contribute to the health and strength of the community and help to differentiate between the symptoms and root causes of the current challenges.



FRAMING THE CHALLENGE

When contemplating any question associated with restructuring, it is important to clearly understand the challenge that needs to be addressed. If restructuring is predetermined as the solution without fully understanding the challenge, the scale of disruption may not only fail to solve the original challenge, but also may establish new ones.

Consider this as a “state of the union” address for the municipality. Through this perspective, it is important to understand what you need to know. This approach can generate a variety of different benefits and unfold in different ways depending on the desired outcome of the exercise. For example, the following may present opportunities for a deeper exploration of the current state of the municipality:

- ◆ A yearly review to consider local progress, or lack thereof, on specific (or a series of) challenges.
- ◆ As a kick-off to an intermunicipal planning process tied to a specific topic (i.e., land use planning, recreation services agreement, joint infrastructure planning, etc.).

- ◆ In advance of contemplating a municipal restructuring tied to growth and expansion (i.e., as part of an annexation application).
- ◆ In advance of contemplating a municipal restructuring that would significantly disrupt the current municipal configurations (i.e., dissolution, amalgamation, or regionalization).

While this can take the form of a self-evaluation by an individual municipality, the greatest value is to assess the “state of the union” of the broader community (i.e., a collaborative of municipalities) and explore the challenges through a facilitated dialogue among municipal partners.

The following figure illustrates the cycle that can manifest when the root cause of the challenge cannot be effectively articulated. When the challenge is too broadly defined, it becomes difficult to target actions at the appropriate scale that will contribute to meaningful change.

ADAPTIVE PROCESS

Through increased voluntary collaboration, municipalities can explore ways to provide services across the community, while retaining their individual autonomy and decision-making powers. Voluntary collaboration can work well but it requires the participating local governments to establish a shared set of objectives. Creating a better understanding of the system can facilitate establishing shared objectives and strengthen relationships around a sense of purpose focused on creating a strong and healthy community, regardless of where the boundaries lie.

When considering the health of the community through a systemic lens, an adaptive approach helps ensure that the actions evolve as the context changes. The following steps highlight a framework for an ongoing process to evaluate the results of local efforts:

1. **Frame the challenge:** Before defining actions and potential solutions, it is important to collectively understand the challenge that requires solving.
2. **Define the current reality:** To fully understand the challenge, it is necessary to understand all the influences and driving forces that contribute to the current reality.
3. **Initiate change:** Given the systemic nature of municipalities and their evolving challenges, implementation should be considered as a series of experiments to assess what works and what doesn't.
4. **Review and adapt:** As with any iterative process, understanding the evolution of the current reality informs the next actions that need to be taken.

Going through this exercise is not the



equivalent of a checkbox or scorecard that will result in a definitive answer or dictate a series of next steps. Nor is it intended as either a replacement or an extension of the ICF process. For example, a result of this exercise may lead to the conclusion that new or deeper intermunicipal collaboration is required, however this is not intended as a predetermined outcome of navigating the process. The intent is to engage in meaningful dialogue to facilitate a deeper awareness of the health of the community and the various factors that influence it. Through that awareness, strategic steps can be considered, respecting local capacity, to improve community wellbeing.

Alternatively, through this exploration, the municipalities may conclude that they have made considerable efforts to collaborate, and that restructuring is the logical next step. However, in many cases, the dialogue starts with restructuring as the predefined end, without knowing what the restructuring will solve. This exercise will help create a shared understanding of the local challenges and support the intermunicipal partnership's exploration of collaborative initiatives that are purposefully designed to improve specific components of the system without defaulting to a new structure.

Once there is a shared understanding of the challenge, strategic initiatives can be defined that identify key leverage points that maximize the use of available community capacities to improve current conditions and invite key local stakeholders to contribute their own available assets to support strategic implementation.

The following section provides two different scenarios as an illustration of moving through the adaptive process to frame the challenge through the internal and external systems conditions. While there are many other scenarios that could be considered within this exercise, the following represent two distinctly different scenarios that demonstrate how this can support a process to develop a shared understanding regardless of the challenge being faced.

EXAMPLE SCENARIOS

THE CHALLENGE:

To consider the most effective path forward, the challenge that needs to be addressed must be clearly understood. Ideally, this will generate a clear and simple question that articulates what the work is intended to achieve. To contemplate the key challenge question, the following probing questions can be used:

- ◆ What issues are decision-makers in the municipality grappling with?
- ◆ What decisions with a long-term influence on the municipality must be made?
- ◆ Are there strategies and/or planning processes that would benefit from having a broader perspective on the future?

A clear and simple question, or short set of questions, that frames the challenge reminds all involved that the exploration of possible futures must be relevant to the critical question.



SCENARIO 1: RAPID GROWTH AND EXPANSION

A municipality is experiencing a significant amount of population growth and there is a limited land area within the existing boundary to accommodate the anticipated growth in the short-term.



Critical Challenge Question:

What is the most effective strategy our municipalities can adopt to manage growth in a way that strengthens the broader community?



SCENARIO 2: POPULATION DECLINE

A municipality has experienced consistent population decline and an increasingly smaller population is now responsible for paying the necessary taxes to sustain service delivery, while the condition of critical infrastructure continues to worsen.



Critical Challenge Question:

What risks does the declining municipality face without addressing the critical infrastructure upgrades? What risks does the neighbouring municipality face if the infrastructure systems fail? What is the most effective strategy we could employ to improve the health and strength of the broader community?

THE CURRENT REALITY:

The nature of the current reality could be an endless exercise, exploring every different aspect of the community. Once a shared understanding of the challenge has been framed, the evaluation of the current reality should revolve around building a solid understanding of the information that will help answer the critical challenge question.

INTERNAL SYSTEMS CONDITIONS

Institutional Structures



SCENARIO 1: RAPID GROWTH AND EXPANSION

What level of planning has been done to understand the defined challenge?

- ◆ How has the scale of the proposed expansion been addressed within the IDP?
- ◆ What policy and regulatory changes could be introduced to accommodate a greater percentage of the anticipated growth within the existing boundary?
- ◆ Is there adequate information available to support informed decision-making?

Is there a shared understanding of the drivers influencing the challenge among the municipalities?

- ◆ What additional studies have been completed?
- ◆ Did these studies review the challenge from the perspective of both municipalities (i.e., what are the impacts on the rural municipality vs. solely exploring the benefits to the urban municipality)?
- ◆ Is there adequate information available to identify and manage key risks associated with the proposed restructuring from the perspective of both municipalities?



SCENARIO 2: POPULATION DECLINE

What level of planning has been done to understand the defined challenge?

- ◆ How have the municipal partners addressed service delivery through the ICF?
- ◆ Is it clear who is accountable for implementing each of our collaborative initiatives?

Is there a shared understanding of the perceived challenge among the municipalities?

- ◆ What are the “bottlenecks” that exist that would impact our ability to sustainably deliver services?
- ◆ Are there adequate capacities in place to match the proposed accountability structure and address any “bottlenecks”?
- ◆ Has the challenge been reasonably considered from the perspective of both municipalities? Is there adequate information available to identify and manage key risks associated with the proposed restructuring from the perspective of both municipalities?

INTERNAL SYSTEMS CONDITIONS

Economic Structures



SCENARIO 1: RAPID GROWTH AND EXPANSION

How does the challenge impact the fiscal resilience of the municipalities?

- ◆ Will the proposed expansion increase the size and diversity of the assessment base?
- ◆ Does the projected revenue associated with the proposed expansion align with the long-term operation, maintenance, and replacement costs of the new infrastructure obligations?

How has the challenge been considered through the lens of the fiscal capacity to support sustainable service delivery?

- ◆ How will the expansion impact the capacity of existing Infrastructure systems?
- ◆ What changes to the type and levels of service will be required to support the proposed expansion?
- ◆ Does the projected revenue associated with the proposed expansion align with the necessary changes to the type and levels of service required to support the proposed expansion?



SCENARIO 2: POPULATION DECLINE

How does the challenge impact the fiscal resilience of the municipalities?

- ◆ Is the size and diversity of the assessment base adequate to sustain service delivery at the current levels of service?
- ◆ If the challenge were to lead to a restructuring in the form of a dissolution, how would the receiving municipality be impacted financially given the current condition of the infrastructure, the level of service delivery, and the local assessment base?

How has the challenge been considered through the lens of the fiscal capacity to support sustainable service delivery?

- ◆ Are there immediate infrastructure maintenance and / or replacement costs critical to the ongoing delivery of critical services?
- ◆ What changes to the type and levels of service would be required to support the long-term viability of the municipality?
- ◆ Does the municipality have the appropriate capacity to sustainably promote economic development as an opportunity to improve sustainable revenue sources?

INTERNAL SYSTEMS CONDITIONS

Relational Structures



SCENARIO 1: RAPID GROWTH AND EXPANSION

Are the partners incentivized and motivated to work collaboratively toward a sustainable solution to the challenge?

- ◆ How does the proposed expansion fit within the political priorities of each municipal partner?
- ◆ Is there active opposition, whether politically or from individual landowners, to the proposed expansion that could prevent a collaborative process?

Are there mental models in place that would prevent successful collaboration?

- ◆ Is there a historic legacy of bad relationships that prevents the partners from moving forward (i.e., are current relationships the result of historic decisions / actions that created friction)?



SCENARIO 2: POPULATION DECLINE

Are the partners incentivized and motivated to work collaboratively toward a sustainable solution to the challenge?

- ◆ Does one municipal partner have an outsized power dynamic over the other?
- ◆ Is there a recognized benefit to retaining autonomous municipalities through increased collaboration?

Are there mental models in place that would prevent successful collaboration?

- ◆ Is there a historic legacy of bad relationships that prevents the partners from moving forward (i.e., are current relationships the result of historic decisions / actions that created friction)?

EXTERNAL SYSTEMS CONDITIONS

External Influences



SCENARIO 1: RAPID GROWTH AND EXPANSION

Consider the external influences that could impact the ability to effectively address the challenge.

- ◆ What are the migration and immigration patterns influencing population fluctuations?
- ◆ What are the drivers influencing the economic conditions that would support non-residential development and labour force expansion?
- ◆ Are there any shifts at higher levels of government that are incentivizing population movement into (or out of) the province?



SCENARIO 2: POPULATION DECLINE

Consider the external influences that could impact the ability to effectively address the challenge.

- ◆ How have the demographics changed because of the declining population? What are the implications to local services?
- ◆ Are the existing or pending funding allocations from higher levels of government adequate to sustain the municipal operations and capital investment priorities?

Citizen Perspectives

Consider the perspective of citizens and how addressing the challenge could impact their perspective on the effectiveness of local government.

- ◆ Have the citizens of the expanding municipality been meaningfully engaged in understanding the drivers behind the challenge?
- ◆ Do the citizens of the expanding municipality understand the trade-offs between levels of service and costs of sustainable service delivery, relative to their willingness to pay for services?
- ◆ Have the landowners within the proposed expansion area been meaningfully engaged in understanding the process and outcomes if their land shifted from one jurisdiction to another?

Consider the perspective of citizens and how addressing the challenge could impact their perspective on the effectiveness of local government.

- ◆ Have the citizens of the struggling municipality been engaged around the drivers behind the challenge? Do they understand the trade-offs between levels of service and costs of sustainable service delivery, relative to their willingness to pay for services?
- ◆ Do the citizens of the potentially receiving municipality understand the potential implications on the costs of service delivery associated with the dissolution?
- ◆ Do the citizens of the dissolving municipality have confidence in the local government's ability to effectively manage operations and service delivery?

EXTERNAL SYSTEMS CONDITIONS

Relevant Actors



SCENARIO 1: RAPID GROWTH AND EXPANSION

Consider the perspective of the challenge on other sectors of the community and their potential influence in affecting change.

- ◆ How do local amenities, facilities, and services influence the potential decisions tied to the retention and attraction of investment, citizens, and labour force?
- ◆ How have the social assets been considered relative to their ability to accommodate the growth of the population? Are they equipped to accommodate changes in the demographics of the expansion?



SCENARIO 2: POPULATION DECLINE

Consider the perspective of the challenge on other sectors of the community and their potential influence in affecting change.

- ◆ Is it reasonable to expect new business or industry to locate in the potentially dissolving municipality? Is it reasonable to expect existing businesses to continue bearing tax burden to fund operations?
- ◆ Are there adequate social services to accommodate the changing population?

Regardless of the scenario, upon going through the exercise to frame the challenge and evaluate the current reality, the final two steps in the adaptive process are to take action to initiate the change and the “final” step is the simple recognition of the ongoing nature of the process and the importance on reviewing the steps taken to evaluate their effectiveness in achieving the desired outcomes.

INITIATE CHANGE:

Once the challenge has been framed within each of the relevant Systems Change Conditions, the participants can establish strategic initiatives by asking the following questions. At this stage, the strategic initiative may be to pursue a restructuring process, if the assessment of the current reality acknowledges that it would be the most effective path forward.

- ◆ What are the priorities that need to be addressed to solve the challenge?
 - ◇ Without pre-determining restructuring is the only solution, consider the priorities that surface based on the guiding questions. Consider defining the priorities based on their level of importance and the relative ease of implementation.
- ◆ What actions and strategies could each municipality take to help advance efforts to address the challenge?
 - ◇ As the priorities surface, consider the capacities and resources necessary to make an impact on addressing the challenge.
- ◆ What are the key considerations and risks that should guide decisions toward solving the challenge?
 - ◇ What risks surfaced through the review of the different systems conditions? Has this reframed the nature of the challenge? Can the risks be reasonably mitigated?
- ◆ Who needs to be involved to implement these strategies?
 - ◇ What are the critical partnerships that need to be engaged to broaden the perspectives of how the challenge impacts other sectors of the community and how they could be involved to support specific actions.

REVIEW AND ADAPT:

While not a specific step in the process, it remains critically important for the partners to continue the dialogue. Even if the decision to proceed with restructuring was the ultimate outcome, the restructuring itself will not address all the potential challenges impacting the broader community. If restructuring is the path forward, then the new municipal configuration will still need to address the driving forces behind the current reality and continually evaluate the changing context, adapting the strategic initiatives as needed.

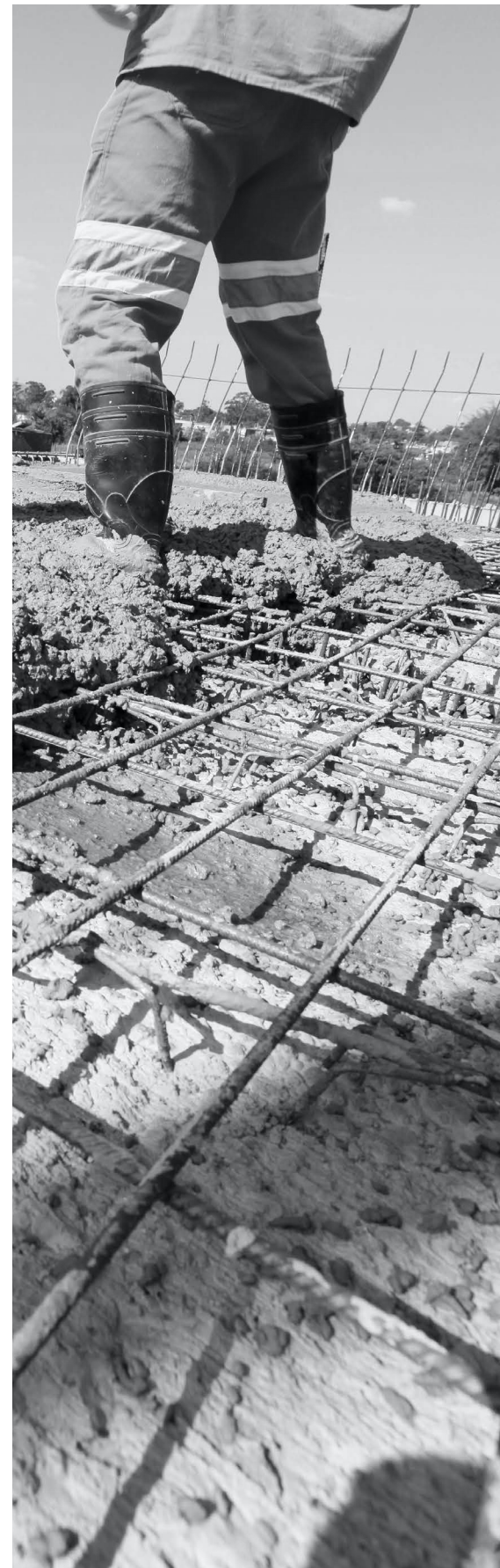
CLOSING

The answer to the question of “should we restructure?” is not a simple yes or no. It is possible that the creation of larger municipalities will create economies of scale and increased efficiencies. There can be other benefits achieved through restructuring that allow for coordinating service delivery, land use planning, and transportation investments. But if the clear root of the local challenges is not fully understood then simply changing the structure of the municipality may not only fail to address the key challenges but could create unintended consequences around public representation and perceptions around equitable service delivery.

It is also important to note that the answer to the question of “should we maintain and/or enhance our intermunicipal collaboration efforts?” is also not simply yes or no. Continued collaboration allows local governments to retain their autonomy and be more responsive to local citizen needs. However, intermunicipal collaboration can make it harder to create shared objectives for a larger region and can reduce accountability for individual municipalities if citizens are unclear on how services are being delivered. If power dynamics within the collaboration are not addressed, then there cannot be a genuine intermunicipal approach to problem solving.

The choice of an appropriate governance structure depends upon how one weighs the relative importance of what may be seen as conflicting considerations (i.e., economies of scale and the capacity to deliver and coordinate services versus responsiveness and local accountability). Regardless of the drivers behind the conversation, it is important to consider the system the municipalities are operating in before any decisions are made.

Given recent trends toward populism and more divisive political debates, it seems more important than ever to consider the form and conditions necessary for alternative public policy discourse. The municipal restructuring debate is often framed through a “winners and losers” lens. Taking a whole systems approach to reframing the debate from municipal restructuring to creating strong and healthy communities can begin to address important gaps in the analysis of municipal structures.





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APPENDIX

Designing a Path Forward Questionnaire

MUNICIPAL STRUCTURES: An Alternative Dialogue for Municipalities in Alberta

FRAMING THE CHALLENGE

To consider the most effective path forward, the challenge that needs to be addressed must be clearly understood. Ideally, this will generate a clear and simple question that articulates what the work is intended to achieve. To contemplate the key challenge question, the following probing questions can be used:

What issues are decision-makers in the municipality grappling with?

What decisions with a long-term influence on the municipality must be made?

Are there strategies and/or planning processes that would benefit from having a broader perspective on the future?

Based on your answers to these questions, frame the critical challenge question that you need to solve:

INTERNAL SYSTEMS CONDITIONS

Institutional Structures

What level of planning has been done to understand the defined challenge?

Is there a shared understanding of the drivers influencing the challenge among the municipalities?

Economic Structures

How does the challenge impact the fiscal resilience of the municipalities?

How has the challenge been considered through the lens of the fiscal capacity to support sustainable service delivery?

Relational Structures

Are the partners incentivized and motivated to work collaboratively toward a sustainable solution to the challenge?

Are there mental models in place that would prevent successful collaboration?

EXTERNAL SYSTEMS CONDITIONS

External Influences

Consider and list all of the external influences that could impact the ability to effectively address the challenge.

Citizens Perspectives

Consider the perspective of citizens and how addressing the challenge could impact their perspective on the effectiveness of local government.

Relevant Actors

Consider the perspective of the challenge on other sectors of the community and their potential influence in affecting change.

INITIATE CHANGE

What are the priorities that need to be addressed to solve the challenge? (Without pre-determining restructuring is the only solution, consider the priorities that surface based on the guiding questions. Consider defining the priorities based on their level of importance and the relative ease of implementation.)