

## Municipal Service Delivery

*Regardless of size, type or location, the core purpose of all municipalities is to deliver effective and efficient services to residents and businesses. While many municipal services such as water and transportation are often so central to resident and industry needs that they are taken for granted, municipalities invest tremendous amounts of money and capacity in ensuring that such services are delivered reliably and at a level that meets specific local needs. While there are certain services that nearly all municipalities provide, the scope and level of services provided can vary across municipalities, and will often impact tax rates, capital investment decisions, land use planning, and other municipal purposes. Rural municipalities often face unique service delivery challenges due to their large geographic size, dispersed population, and high level of industrial activity. As a result, the level, scope and method of service delivery often varies between rural and urban municipalities.*

### What is the RMA's position on the importance of municipal service delivery?

- ◆ Residents and businesses across Alberta rely on municipalities to provide crucial services related to transportation, water, recreation, waste collection, economic development, social supports, emergency response, and many more.
- ◆ As municipalities cover nearly 90% of Alberta's land mass, which is a significantly higher portion than municipalities in any similarly sized province, the importance of municipal service delivery in both urban and rural areas and all corners of the province is unmatched elsewhere in Canada.
- ◆ Municipalities have the autonomy to deliver a wide range of services at various levels. Local service delivery decisions are typically based on taxpayer needs and preferences, the fiscal capacity of the municipality, and the types of services offered elsewhere in the region.
- ◆ Due to their unique role in serving extremely large areas with dispersed populations and high levels of industrial activity, rural municipal service delivery profiles are often unique compared to those in municipalities elsewhere in Alberta and Canada. While some rural municipalities may offer limited levels of more traditional municipal service such as waste collection, many invest significant time and capacity in building and maintaining vast road and bridge networks to support resource industries such as oil and gas, forestry, renewable energy, and agriculture.
- ◆ Per capita metrics are not an accurate approach to comparing levels of service across municipalities. In rural Alberta, many services are provided mainly for industry use, which are not captured in per capita comparisons.

### What financial considerations do rural municipalities have with respect to municipal service delivery?

- ◆ Municipalities require a steady and adequate revenue stream to effectively deliver services. Municipalities are highly reliant on property taxes and provincial and federal grants for revenues. Any changes to either revenue source risks impacting the scope and level of services provided by municipalities.
- ◆ When municipalities are required to take on greater responsibility for delivering or supplementing services previously delivered by other levels of government or the private sector, their ability to effectively deliver

core services may become compromised. Recent or ongoing examples include policing, social services, and broadband connectivity.

- ◆ Municipal infrastructure is directly linked to service delivery. To effectively provide the services that residents and industry requires, municipalities must have the financial resources to build and maintain roads, bridges, water/wastewater networks, and other infrastructure.
- ◆ Municipalities across Alberta commonly collaborate to deliver services, either through intermunicipal collaboration frameworks, regional service commissions, or other means. While such collaboration can be highly effective, it is crucial that all municipalities participate as willing partners and that financial contributions and decision-making processes are equitable and fair.
- ◆ Financial reserves are an effective method for municipalities to ensure that services can continue to be delivered in the event of an unexpected fiscal challenge, or to save for needed capital investments to maintain, enhance or expand service delivery.

## How does the work of the RMA support effective municipal service delivery?

- ◆ RMA's *Alberta's Rural Municipalities: Unique Size, Unique Responsibilities* argues that due to their large size, remoteness, and high level of industrial activity, Alberta's rural municipalities have service delivery challenges not found in municipalities elsewhere in Alberta or Canada.
- ◆ RMA regularly emphasizes the uniqueness of rural service delivery when providing input on a wide range of issues, including municipal funding and taxation.

## What current service delivery-related issues are impacting rural Alberta?

### Intermunicipal Collaboration Frameworks

- ◆ Intermunicipal collaboration frameworks (ICFs) are mandatory agreements developed among municipalities with a shared border to discuss (and potentially collaborate on) the delivery of services that provide an intermunicipal or regional benefit. As of April 1, 2022, all initial ICF agreements have been completed.
- ◆ ICFs are intended to encourage municipalities to collaborate in regional service delivery when it makes sense for both municipalities. ICFs are not intended to coerce municipalities into contributing financially to the delivery of services in a neighbouring jurisdiction if it is not in the best interest of their residents and taxpayers.
- ◆ Several gaps in the *Municipal Government Act* related to the ICF process resulted in rural municipalities being required to contribute to services that they do not view as regionally beneficial, or contribute at a level disproportionate to the level of benefit the service provides to their residents and taxpayers.
- ◆ According to a 2022 RMA member survey on ICFs, the most widely supported areas of improvement for the ICF process were that the Government of Alberta provide more direction on how to measure service usage and service levels, and more direction on which services are in and out of scope for ICF discussions.
- ◆ Currently there are no requirements for municipalities to provide specific data or evidence supporting their positions regarding service costs, service delivery challenges, or rationale for delivering services intermunicipally.
- ◆ RMA is calling for several changes to the ICF process to support a more equitable approach to regional service delivery through ICFs, including the following changes to ICF provisions within the *Municipal Government Act*:

- ◇ Provide definitions of “service” and “intermunicipal.”
- ◇ Require municipalities to determine how shared input will be provided into the delivery of intermunicipal or regional services.
- ◇ Make several amendments to the arbitration process, including not allowing municipalities to introduce new services during arbitration, require arbitrators to demonstrate a certain level of municipal experience or complete municipal-specific training, broaden the arbitration appeal process, and cap the portion of arbitration costs paid by any one municipality.
- ◆ RMA is hopeful that the Government of Alberta will conduct a review of the ICF process to support more consistent equitable outcomes before ICFs are renegotiated in the coming years.

## Local Government Fiscal Framework

- ◆ The Local Government Fiscal Framework (LGFF) will replace the Municipal Sustainability Initiative (MSI) as Alberta’s primary capital grant program for municipalities beginning in the 2024-25 fiscal year.
- ◆ Although the LGFF will provide funding for municipal capital projects, the purpose of the infrastructure supported by LGFF is to provide municipal services.
- ◆ As municipalities of different types and sizes have different drivers of municipal service needs, it is important that the LGFF allocation formula reflects this diversity.
- ◆ While population is one of several indicators associated with capital need, over-weighting it in an LGFF formula risks diverting disproportionate funding to high-growth municipalities that should have the ability to pay for infrastructure through development levies and new tax revenue. An effective formula must balance growth pressure with the challenges that rural municipalities face in delivering services to dispersed populations and industrial users, or that small urban municipalities struggling to attract growth face in maintaining current services and infrastructure.

## Downloading of Services

- ◆ As municipalities have limited sources of revenue, any requirement for municipalities to take on responsibility for delivering additional services may impact the quality and scope of existing services or force municipalities to increase property tax rates.
- ◆ In cases where municipalities are required to contribute to provincially- or federally-delivered services, such as in the case of policing through the Police Funding Model, the municipality should have a direct say in how those services are delivered that is proportional to their financial contribution.
- ◆ In many rural areas, municipalities or non-profit organizations “fill in the gaps” of provincial services that are not available or delivered at lower levels than in urban communities. This often strains local municipal and volunteer capacity and reflects an inequity in community supports in rural areas.

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