

Municipal Finances

Municipal finances garner considerable public attention because residents and businesses are directly affected through their responsibility to pay property taxes. Rural municipalities rely on property taxes, and to a lesser extent, user fees and provincial or federal grants, to build and maintain infrastructure and provide services in a fiscally responsible way. Municipal financial decisions are influenced by many factors including economic conditions, service level expectations from residents and businesses, and long-term municipal goals. Increasingly, municipal finances are also shaped by a complex interplay of provincial, federal, and geopolitical factors, along with external influences such as international affairs, extreme weather events, and health crises. Municipal finances are much more than numbers; they embody the purpose and priorities of a municipality in an ever-changing environment.

What is RMA's position on the importance of municipal finance?

- ◆ A complete and accurate understanding of municipal finances must consider differences across municipalities in areas such as service types, service levels, and infrastructure responsibility.
- ◆ Due to their large geographical areas, low population, and intensive industrial activity that is reliant on municipal roads and bridges, Alberta's rural municipalities spend much more on transportation infrastructure compared to other municipalities in Alberta and across Canada.
- ◆ Municipalities must uphold the highest standards of financial transparency and accountability to maintain public trust in how taxation revenue is managed, ensure residents understand how funds are allocated, and demonstrate responsible stewardship of limited resources.
- ◆ Ongoing cuts to provincial grant funding and the downloading of responsibilities from the provincial government place increasing financial strain on municipalities, forcing them to balance rising costs with limited revenue tools and to make difficult decisions about service levels and infrastructure investment.

Municipal Finances in Context

- ◆ Alberta's rural municipalities spend about 50% of their total expenses on transportation, compared to 30% for all Alberta municipalities.
- ◆ Canadian municipalities receive only eight to ten cents of each tax dollar collected in Canada but are responsible for services and infrastructure expenses that significantly exceed those revenue levels.
- ◆ Non-residential property assessments make up over 60% of the tax base in many rural municipalities, compared to less than 30% in urban centres.

POSITION STATEMENT

- ◆ It is vital that the provincial and federal government support rural municipalities through long-term, predictable, and stable funding that reflects rural drivers of infrastructure investment. Without predictable and consistent revenues, it is difficult to plan capital projects, maintain and attract business and investment, and provide consistent levels of service to residents and businesses.

Why are municipal finance-related issues relevant to rural municipalities?

- ◆ Rural municipalities rely heavily on property taxes as their primary own-source revenue, making consistent and predictable property tax policy essential. Their tax base often differs from urban centres, with greater reliance on non-residential assessments such as oil, gas, and industrial properties.
- ◆ Industrial assessments such as oil, gas, forestry, mining, and agriculture make up a large share of rural tax bases, leaving municipalities vulnerable to market fluctuations, regulatory changes, and provincial policy decisions.
- ◆ Councils must balance fiscal accountability with community expectations, ensuring transparent decision-making and prioritization of limited resources.
- ◆ Rural municipalities must gather adequate revenue to fund the delivery of required services and infrastructure. When grants from other levels of government are reduced or eliminated, councils often have no choice but to increase tax rates to fill the resulting revenue gap.
- ◆ Maintaining extensive road and bridge networks remains a major cost driver for rural municipalities. Maintaining core infrastructure is increasingly challenging as councils are required to respond to increasingly complex service expectations, financial pressures, and community priorities.
- ◆ Stable and predictable revenues are essential for long-term planning, attracting investment, and delivering consistent services to residents and businesses.

Who does RMA partner with to advance the rural perspective on municipal finance?

- ◆ Government of Alberta: RMA engages directly with provincial ministries to advocate for legislation, funding, and policies that reflect rural financial realities.
- ◆ Local Government Administrators Association (LGAA) & Alberta Rural Municipal Administrators Association (ARMAA): RMA works with administrative associations to ensure that government requirements related to municipal finances – including policy, legislation, and regulations – align with operational realities and administrative best practices.
- ◆ Alberta Municipalities (ABmunis): RMA collaborates on shared advocacy and education initiatives to strengthen municipal financial sustainability across Alberta, primarily through the Elected Officials Education Program (EOEP).
- ◆ Federation of Canadian Municipalities (FCM): RMA partners nationally to represent rural Alberta's interests in federal policy discussions and programs impacting municipal finances.

POSITION STATEMENT

What are RMA's current priorities on municipal finance?

Municipal Grant Funding

- ◆ Advocate for a Local Government Fiscal Framework (LGFF) that provides a fair share of provincial revenues to municipalities and reflects rural realities.
- ◆ Seek flexibility in grant programs, including the Strategic Transportation Infrastructure Program (STIP), to allow municipalities to address local priorities.
- ◆ Ensure funding formulas recognize cost-drivers unique to rural municipalities, including substantial infrastructure and transportation responsibilities and higher service delivery costs compared to urban counterparts.
- ◆ Call for multi-year, predictable funding commitments to enable long-term capital planning.

Assessment Model Review

- ◆ Advocate for a fair and stable property assessment system that reflects rural realities, minimizes volatility, and allows municipalities to reliably forecast revenues.
- ◆ Emphasize the importance of non-residential assessment (oil & gas, industrial, agricultural) to rural tax bases and oppose provincial policies that reduce municipal revenues from these sources.
- ◆ Push for greater rural municipal input into provincial assessment and taxation policy decisions.
- ◆ Defend municipal tax autonomy by opposing provincial interference in local taxation powers and ensuring municipalities retain authority to set and collect revenues needed to meet local priorities.
- ◆ Support diversification of municipal revenue tools beyond property taxes to improve long-term financial sustainability.

Unpaid Taxes

- ◆ Address the growing challenge of unpaid property taxes, particularly in the oil and gas sector, which undermines municipal financial sustainability and shifts burdens onto other taxpayers.
- ◆ Advocate for provincial action to ensure companies meet their property tax obligations and prevent municipalities from bearing the financial consequences of industry non-payment.
- ◆ Highlight the disproportionate impact of unpaid taxes on rural municipalities, where non-residential assessments make up a significant share of the tax base.
- ◆ Emphasize that property taxes are a shared obligation tied to the services and infrastructure municipalities provide. When some property owners fail to pay, the costs of maintaining infrastructure and providing essential services are unfairly transferred to other ratepayers.

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