



Future of Local Governance Discussion Paper

April 15, 2009



IMPORTANT MESSAGE

The Discussion Paper on the Future of Local Governance is intended to spark discussion, and to encourage thinking and reflection about municipal sustainability and the future. Alberta municipal governments need to be prepared for the future, and AUMA is prepared to provide learning opportunities and tools that will assist municipal governments in achieving sustainable futures. This Discussion Paper does not include any recommendations for action – it is a tool that will help AUMA President’s Summit participants further the discussion and understanding of the future of local governance in Alberta.



1 INTRODUCTION

In 2009, the Alberta Urban Municipalities Association (AUMA) Board of Directors established a Task Force on the Future of Local Governance¹ to assist AUMA in developing a Discussion Paper on the topic of the future of local governance in Alberta. The Discussion Paper will:

- review the current state of local governance (legislative, program, policy, financial and restructuring), and current issues affecting local governance;
- develop clear options related to effective local governance, including an assessment of the effectiveness of the proposed options for change;
- consider the risks and benefits of proposed options for change and the incentives required to make changes; and
- review examples outside of Alberta where local governance has been restructured and why it worked or did not work².

In looking at models that would ensure sustainable local governance, the Task Force also studied elements of sustainable local governance. This Paper will outline the Governance Sustainability Statements in more detail later however it is important to include the statements up-front, as they should be kept in mind while reviewing this Discussion Paper. Governance Sustainability Statements are:

1. Sustainable Local Governance means providing and delivering infrastructure and services to citizens in an **Effective, and Efficient** manner, and depends upon the community's **Confidence** in its local government to accomplish its goals (municipal administrative capacity, local democracy).
2. Sustainable Local Governance means instituting a strong and clear **Accountability System** for the Municipal Government, which is easily understood and is trusted by the citizens and recognized by the provincial government.
3. Sustainable Local Governance means developing **strong inter-governmental coordination and processes** (including partnerships with other local governments) that enable responsiveness to citizen needs when those needs cannot be fulfilled by one government alone. Developing processes and coordinating with other governments depends, in part, upon the community's **Resources** or **Adequate Access to Resources** (population, local economy, property tax assessment base).

¹ Task Force members are listed in Appendix A.

² This review of municipal government restructuring in other jurisdictions is included in the following paper, *Local Governance: A Short Review of Changes in Various Jurisdictions*.

2 DEFINITIONS

In order to properly frame a discussion about sustainability and governance, it is necessary to propose some definitions for terms that hold different meanings in different contexts.

AUMA defined “government” and “governance” as follows in its 2007 Policy Paper on Multi-Jurisdictional Planning:

Government - a system or organization used for exercising the political and administrative authority of the state.

Governance - the act or manner of governing.

AUMA chose the “Future of Local Governance” as a title for the current initiative because the Association wishes to look at the broad idea of governance, and how it may or may not change to ensure the sustainability of Alberta’s municipalities. In exploring “governance”, and how it can be carried out effectively, suggestions as to municipal government form may arise, or, it may become evident that a sustainable government can maintain the same form, but governance could change.

It is also important to clarify the difference – as AUMA sees it – between “community sustainability” and “municipality sustainability”. Since 2005, AUMA has been working on a Municipal Sustainability Planning (MSP) initiative. The MSP initiative focuses on sustainability of the entire community, and defines a sustainable community as follows:

A sustainable community is a community that enjoys a strong economy, a vibrant cultural scene, a strong social network, a healthy environment, and good governance.

This definition draws upon the five dimensions of sustainability: economic, social, cultural, environmental and governance/leadership. While a municipal government may make progress in some or all of these areas, it also draws upon other parts of the community to become more sustainable. For the purpose of the Future of Local Governance initiative, it is important to be clear that the definition of a sustainable Local Government is more focused than the broad definition of community sustainability that AUMA uses in its MSP initiative. The definition of **governance sustainability** is proposed as a set of statements, which are found in the introduction to the paper and again when the paper presents potential governance models for the future of local governance.

Finally, it is important to include definitions of “urban” and “rural” in this document. AUMA will use the following definitions, from the AUMA Multi-jurisdictional Planning Paper (2007a):

Urban — a type of settlement, land use, and development with population, population density, built form, and both range and level of municipal services that are relatively higher or more intensive than neighbouring or comparable areas of rural development. Economic activities typically found in urban areas include land-intensive commercial and industrial uses that benefit from access

and proximity to other similar or varied land-intensive activities and high residential populations.

Rural — a type of settlement, land use, and development with population, population density, built form, and both ranges and levels of municipal services that are relatively lower or less intensive than neighbouring or comparable areas of urban development. Economic activities typically found in rural areas include land-extensive agriculture, resource extraction and development, and industries that benefit from large, relatively less populated areas of land.



3 DISCUSSION PAPER RESEARCH METHODOLOGY

An extensive literature review was conducted in developing the supporting documents and the Discussion Paper for the Future of Local Governance initiative. Studies of local government from a variety of countries were reviewed and salient points are provided in the AUMA reports. A bibliography of all works consulted is included.

Secondly, AUMA has drawn on the expertise of Alberta municipalities in preparing the reports. More than 300 individuals responded to an online survey conducted in February/March 2009. The information gathered from the survey will be used in developing a Final Report for the 2009 AUMA Convention. While the final results and analysis of the online survey were not available at the time the Discussion Paper was finalized, initial results and comments regarding the online survey were discussed by the Task Force in developing the Discussion Paper.

Finally, input provided by municipalities at the 2009 President's Summit will be incorporated as data into a Final Report. Both the literature review and the online survey of Alberta municipalities were used in planning the 2009 President's Summit. The Final Report will be placed before the AUMA membership for discussion at the 2009 AUMA Convention.

4 BACKGROUND/PURPOSE

The Alberta Urban Municipalities Association (AUMA)³ has a long history of leading change in Alberta when it comes to local government. In 2009, municipal government in Alberta is at a crossroads. Provincial officials talk about sustainability of municipalities, and have stated publicly that there are too many municipalities in Alberta. This creates uncertainty for municipal elected officials, municipal administrators, and for community members concerned about the future of their communities.

As an advocate for municipal governments, AUMA and its members are engaged in a continuous discussion about effective and sustainable local governance. For example, the topic comes up when looking at the *MGA* and how it can be improved to provide municipal governments with the authority and revenues they need to respond effectively to citizens. The *MGA* is the legislation that governs municipalities in Alberta. AUMA has been proactive in proposing changes⁴ to the *MGA* that the AUMA membership views as essential in providing better governance, and ensuring municipal sustainability into the future.

Some Alberta municipalities are neighbored by municipalities that have high property assessment values and this may cause strains on municipal relationships. For example, if a municipality provides a high level of services to both its citizens and citizens of surrounding municipalities, there can be frustration with those municipalities who do not contribute to the costs (capital and operating) of services – even when their residents are benefiting from those services. Many attempts have been made to correct some of the inequalities brought about by higher assessment bases in some areas. For several years, Alberta’s municipal associations worked together to develop an “urban/rural cost-sharing policy report and toolkit”⁵. Some hesitant discussion was held regarding revenue-sharing amongst neighbouring municipalities, but there are differing views of the value of revenue-sharing, and therefore it was considered out of scope for that particular project.

AUMA carried the discussion about revenue/cost/service-sharing forward in its Policy Paper on Multi-Jurisdictional Planning (2007a). The Paper recommended revenue/cost/service-sharing amongst neighbouring municipalities, and was provided to the Government Alberta to inform its work on the Provincial Land Use Framework. In many instances, land use along municipal boundaries in areas of high growth has resulted in conflict between municipal governments. Some rural municipalities may make decisions that restrict the growth potential of urban municipalities through intense development along the boundaries of urban municipalities. While inter-municipal agreements often result, agreement can be preceded by months or years

³ AUMA represents all summer villages, villages, towns, cities and specialized municipalities in Alberta. The Association’s vision is: The Alberta Urban Municipalities Association is valued by our membership and trusted as a voice for urban municipalities.

⁴ 2008. AUMA MGA Review Document.

⁵ 2004. AUMA and AAMDC. *Cost-sharing for Success: A Pro-active Approach* (available at: <http://www.auma.ca/live/AUMA/Toolkits/Rural-Urban+Cost+Sharing+Toolkit>)



of heated conflict in regions. Differing “urban” and “rural” cultures can contribute to conflict in regions.

In this context, “culture” includes expectations service delivery approaches and identity. “Urban” culture demands that citizens be provided with a variety of services, and “rural” culture suggests that citizens are less interested in paying for the variety of services that are often offered in a more densely populated community (for further discussion, see Partridge and Olfert, 2009). True cost accounting for services based on the residency of the population using the services has not been carried out in a comprehensive manner in Alberta. Therefore, it is impossible to prove that the system is equitable or inequitable. However, due to numerous reports and anecdotal evidence that this is causing friction, we can state that such cultural conflict exists⁶. Whether it is founded or not, remains to be tested.

Municipal governance was an issue of discussion under various Ministers of Municipal Affairs who worked with municipalities to define and clarify roles, responsibilities, resources and relationships. The Final Report of the Minister’s Council on Municipal Sustainability (Minister’s Council on Municipal Sustainability, 2007) contained 12 recommendations organized by the following topics: 1. Intermunicipal Cooperation, 2. Municipal and Provincial Roles and Responsibilities, and 3. Municipal Revenue Sources.

The discussions around roles, responsibilities, resources and relationships ultimately resulted in the provincial Municipal Sustainability Initiative (MSI), a program that is ramping up to provide \$1.4 billion annually to Alberta municipal governments, beginning in 2010. In the lead-up to the announcement of the provincial MSI, AUMA developed a Policy Paper: MSI Analysis and Recommendations, adopted by the AUMA Convention in 2007. In the Paper, AUMA recommends the development of an accountability system that includes annual reporting on municipal sustainability in each municipality.

AUMA endorsed a resolution in 2008 to work towards a new relationship with the Government of Alberta – a formalized Provincial/Municipal Sustainability Partnership Agreement (AUMA, 2008a). The Agreement would be based on agreed-to provincial and local objectives, set out under a comprehensive accountability framework whereby municipal governments provide an annual Municipal Sustainability Report to account for monies spent, and demonstrate objectives achieved. Such a system would require that all municipalities in Alberta have the necessary resources to carry out long-term planning and to implement long-term plans.

AUMA’s 2008 Convention brought more than 1000 municipal elected officials together to learn about and discuss topics of importance to Alberta municipalities. The participants at two education sessions on “new ideas in local governance” agreed that municipalities cannot remain the same as they are today, and be sustainable into the future. AUMA members were also asked to prioritize initiatives that AUMA could take on over the coming year, and the future of local governance was in the lists of priorities for summer villages/villages, towns and cities.

⁶ It should be recognized that cultures evolve and change, and therefore the purpose of the discussion regarding culture is to set a context for the discussion on the future of local governance in Alberta.

The Future of Local Governance initiative began in 2009 as a result of the prior work and research that AUMA has carried out to better understand municipal sustainability and to help enable local governments to become sustainable into the future.



5 CURRENT STATE OF LOCAL GOVERNANCE AND CURRENT ISSUES AFFECTING LOCAL GOVERNANCE

5.1 Introduction

The broad context in which we exist has a large impact on the future of local governance. The discussion about the current state of local governance can be framed using the five dimensions of sustainability (economic, social, cultural, environmental and governance/leadership).

A changing world **economy** results in challenges for local governments during both boom and bust times. Alberta enjoyed the benefits of a quickly-growing economy in the first 8 years of the new millennium. The high growth rate during those years created awareness of the need for municipalities to be at the forefront of planning for an influx of people, and the resulting infrastructure and services required. At present, the economy is slowing, leading to a decrease in revenues for the provincial government. The Government of Alberta's difficulties may be passed on to those that are assisted through the provincial budget, including municipalities. The Government of Alberta achieved record surpluses early in the 2000s, therefore a sudden change in fortunes affects how municipal governments operate, and may result in a greater need for municipalities to cooperate and work together with their neighbours.

Canadian **society** is becoming more and more urban, and according to the Canadian Census definitions of "urban" and "rural", this trend began in 1921. (Bollman and Clemenson: 2008). Some believe that the urbanization of Canadian society results in an "urban/rural divide". Partridge and Olfert (2009) studied the urban/rural divide, by reviewing policy support for rural development in Canada and the United States. They suggest that rural development policy in both countries continues to focus on agriculture and the extraction of natural resources, even though the rural economy has changed and rural society is not as dependent on those economic sectors as they were in the past. According to Partridge and Olfert, there are three possible explanations for the "urban/rural divide":

1. There isn't one – but rural citizens believe there is one because supportive rural development policies focus on a farm economy, and this does not serve rural areas well because these are not the only aspects of rural economy and society.
2. The objectives of the farm population (it must be noted that this is just one portion of the larger rural population) are "at odds with the objectives of the urban population".
3. As the rural population increases around urban centres (e.g.: country residential lots surrounding urban centres), conflict arises between "rural" and "urban" citizens.

The authors state that if the “urban/rural divide” is caused by the third suggestion, the conflict may be diminished by making a change to governance and institutional systems and structures.

Alberta citizens and residents from diverse backgrounds and nationalities contribute to all aspects of sustainability, and most noticeably to building a rich and diverse **culture** in Alberta. It is part of the AUMA’s long-term strategic objectives to help foster communities that “are tolerant and caring places where citizens realize their individual potential, and form strong bonds of mutual support” (AUMA, 2006). In addition to increased immigration from other countries, many Alberta municipalities have increasing shadow populations (e.g.: workers, tourists, or students). Municipal governments are significantly affected by temporary or “part-time” residents. Effective service delivery and governance over an area that is not made up of permanent residents brings new challenges to municipalities.

Pressures on the **environment** may also affect local governance and municipal governments. Academics and think tanks have measured ecological footprints to demonstrate the intensity and magnitude of resources being consumed by different jurisdictions. The Global Footprint Network and World Wildlife Foundation Canada estimate Canada to have the 4th largest ecological footprint in the world⁷. These data have implications for the Alberta ecosystem and for the world environment. The provincial land-use framework, with its requirement for regional plans, will see municipalities cooperating within a region in order to effectively plan the future of Alberta’s land resource. Intricately linked to the use of Alberta’s land resource, is the use of water in Alberta. Water shortages in southern Alberta have already encouraged many neighbouring municipalities to cooperate or collaborate on water projects, and to share governance over the delivery of water.

Citizens demand ever-greater accountability of their elected leaders, and they are also much more informed and more quickly informed of developments in public policy through the internet and social networking technologies. At the same time, **governance and leadership** are challenged by a decline in voter turnouts, and by increasing cynicism amongst citizens. Municipal governance is also significantly affected by policy decisions of other orders of government, and this occurs within all five dimensions of sustainability. The future of local governance in Alberta must operate within these constraints, and take advantage of opportunities to increase citizen involvement and understanding of municipal government. In doing so, better and more inclusive public policy will be formulated, and Alberta’s citizens will be better-served.

5.2 Legislative

Current State: Alberta’s MGA

Alberta municipal governments currently enjoy a fair amount of autonomy through the *MGA*, in comparison with many other Canadian provinces/territory. The “spheres of power” that were introduced in Alberta’s 1994 overhaul of municipal legislation

⁷ www.footprintnetwork.org.

have influenced municipal legislation in other provinces, and some parts of Canada are still attempting to “catch up” to the precedent that Alberta set in 1994.

Municipal governments in Alberta carry out key functions and deliver specific services to Albertans. One of the contributions to the Minister’s Council on Municipal Sustainability was for the members (Alberta’s two largest cities, AUMA and AAMDC) to describe and review the key municipal services in Alberta. The following list of services was created (2006):

- Roadway, street and sidewalk services
- Public transit services
- Police services
- By-law enforcement services
- Fire services
- Ambulance services⁸
- Solid waste services
- Water services
- Sanitary and storm drainage services
- Culture: libraries, museums, halls
- Parks and recreation services
- Family and community support/day care services
- Cemeteries and other public health and welfare services
- Public housing services
- Land, housing and building rentals, and convention services
- Economic/agricultural development services
- Airport services
- Subdivision land and development services
- Council, other legislative and general administration services
- Common and equipment pool services.

The Alberta municipal system is formally divided into four urban classifications (cities, towns, village, and summer villages), one rural classification (municipal districts), and a special form (specialized municipality) (Lesage and McMillan 2008). In addition, there are three quasi-municipal forms (Improvement District, Special Areas, and Hamlets).

According to the Municipal Government Act, Alberta urban municipalities consist of areas where there is a concentration of people and buildings. More specifically, an urban municipality may be formed when the majority of the buildings used as dwelling are on parcels of land with an area of less than 1850 square metres (Lesage and McMillan 2008). Urban areas are a type of settlement, land use, and development with population, population density, built form, and both range and level of municipal services that are relatively higher or more intensive than neighbouring or comparable areas of rural development. Economic activities typically found in urban areas include land-intensive commercial and industrial uses that

⁸ As of April 1, 2009, ambulance services are provided by the Government of Alberta.

benefit from access and proximity to other similar or varied land-intensive activities and high residential populations (AUMA 2007a).

Rural municipalities may be formed when the majority of buildings used as dwelling are located on parcels of land of at least 1850 square metres. Rural areas are a type of settlement, land use, and development with population, population density, built form, and both ranges and levels of municipal services that are relatively lower or less intensive than are found in urban municipalities. Economic activities typically found in rural areas include land-extensive agriculture, resource extraction and development, and industries that benefit from large, relatively less populated areas of land (AUMA 2007a).

To set the context for studying the future of local governance in Alberta, it is important to outline the different types of municipalities found in the province (Alberta Municipal Affairs, 2009a).

Cities

There are 16 municipalities in Alberta that have been granted city status have a total of 122 elected officials. Cities can be formed when the population of a municipality has over 10,000 people.

Towns

There are 111 towns in Alberta with approximately 740 elected town officials. A town can be formed when the population is at least 1,000 people and may exceed 10,000 people unless it requests a change to city status. Town councils range from five to seven councilors and the size of council is set by municipal bylaw.

Villages

There are 100 villages in Alberta. A village can be formed by request of 30 percent of electors in a community with a population of at least 300 people. The council of a village consists of three councilors, one being the mayor.

Summer Village

There are 51 summer villages in Alberta. Conditions related to a village apply to a summer village with the exception that summer villages are required to hold elections in the summer. Those who own property and others over the age of 18 and a resident in the village are entitled to vote. Summer villages can no longer be created.

Specialized Municipalities

There are four specialized municipalities in Alberta. Specialized municipalities are unique municipal structures that are something other than an urban or rural municipality. Often, specialized municipalities allow urban and rural communities to coexist in a single municipal government. In addition, they can be formed without resorting to special Acts of the Legislature.

Municipal Districts

A municipal district (M.D., also called county), is a form of government in rural areas of the province. M.D.s include farmlands and unincorporated communities such as hamlets and rural residential subdivisions. M.D. councils consist of one councilor per ward, one of which is elected by council as reeve.

The number of wards varies from four to 11. As of May 2006, there were 64 M.D.s with approximately 440 elected municipal district officials.

Hamlets

A council of a M.D. or specialized municipality can designate an unincorporated community that is within its boundaries as a hamlet. A community can be a hamlet if it consists of five or more dwellings, has an accepted boundary or name, and contains land that is used for non residential purposes.

Improvement districts

There are seven improvement districts in Alberta, where six of them are located in national parks. There are a total of 33 people elected/appointed to the advisory councils of four of the eight improvement districts. Councils generally consist of seven to nine members and guide the activities of the improvement district manager and staff. Alberta Municipal Affairs is responsible for all functions of local governments in the improvement districts, including the levy and collection of taxes, but most power and responsibility have been delegated to the councils.

5.3 Restructuring (Annexation, Amalgamation and Dissolution)

Part 4 of the *MGA* provides the legislative framework for formation, fundamental changes and dissolution of municipalities. This includes legislation regarding annexation, amalgamation and change of status of a municipality.

AUMA's (2004) Formation, Fundamental Changes and Dissolution discussion paper was placed into AUMA's *MGA* Review document (2008b). The *MGA* Review Document recommends legislative changes for more effective municipal restructuring in Alberta. AUMA's current proposed legislative changes are largely process-related, and do not recommend certain municipal government structures over another.

AUMA's (2004) Formation, Fundamental Changes and Dissolution discussion paper reports the following information about annexation:

Information provided by the Municipal Government Board indicates that there have been 160 Annexation applications since 1995. 152 of these involved the full agreement of all the affected parties, no Municipal Government Board hearing was required and the annexation proposal was approved. The 8 remaining applications were the subject of landowner objections resulting in a Municipal Government Board hearing. 6 of these were approved, 1 was altered and 1 was refused.

Alberta Municipal Affairs (2009b) has informed AUMA that since 1990, 55 dissolution studies have been initiated, representing almost 20 per cent of all urban municipalities. Of these, 37 were requested by municipal councils and 18 were as a result of a petition from the residents. As of March 11, 2009, 51 studies have been completed with 23 resulting in dissolution. In the past 5-10 years, several urban municipal governments have attempted to dissolve into their neighbouring Municipal

District. These dissolutions were attempted for various reasons, and the Minister did not always order a dissolution study.

Dissolution is a current discussion topic amongst urban municipal governments due to frequent provincial statements regarding the number of municipalities in the province. Villages and Summer Villages are particularly concerned (AUMA Mayors' Caucus meeting – Under 2500, February 2009), as municipalities with small populations seem to be consistently pointed out as being unsustainable. AUMA has requested information from the Government of Alberta regarding what makes a municipality sustainable, and the criteria that the Minister is using to decide which municipalities are unsustainable. The Ministry of Municipal Affairs has been unable to provide that criteria.

In 2008, Alberta Municipal Affairs clarified its policy about restructuring through an announcement of the "Municipal Restructuring Grant Program":

The purposes of the Municipal Restructuring Grant Program are to minimize the cost of municipal restructuring for receiving municipalities, in the event of dissolutions, or for amalgamated municipalities, and to provide certainty to what municipalities might expect with respect to a restructuring grant. The program includes funding for a transitional component, an infrastructure component, a debt management component and an unconditional grant component.

This program provides financial compensation for municipal restructuring. If the Government of Alberta plans a large municipal restructuring effort, this program could be a starting point for financial arrangements to be made with restructured municipalities.

5.4 Planning and Development

One of the most relevant parts of the *MGA* to the discussion about the future of local governance is planning and development. With the dismantling of regional planning commissions in 1995, local governments in Alberta were left with few opportunities to plan with their neighbours for the betterment of the region. The Government of Alberta has recognized that the lack of regional planning in Alberta between 1995 and 2005 made for poor results for the environment, and for inter-municipal relations. In 2005, the Government of Alberta began to work on a Provincial Land-use Framework that was completed in the fall of 2008⁹.

The current state of land use planning and governance is still in the process of changing as a result of the Provincial Land-use Framework. The Framework mandates the creation of regional plans in 7 regions of Alberta, and for the two large urban areas of the province. AUMA's Multi-jurisdictional Planning Paper (2007a) provides recommendations for a better inter-municipal land use planning system in Alberta, and how such a system relates to local governance.

⁹ Provincial Land Use Framework published December 2008:
http://www.landuse.alberta.ca/documents/Final_Land_use_Framework.pdf.

5.5 Current State: financial

Own Source

Through the *MGA*, Alberta municipalities have primary access to the property tax, and this is the main source of “own revenue” for municipal governments. The Government of Alberta levies a provincial property tax each year and currently uses it for education, which has now reached \$1.722 billion¹⁰. AUMA has consistently advocated for a decrease and eventual elimination of the education portion of the property tax. While the provincial Municipal Sustainability Initiative (MSI) was originally expected to approach the same amount of property tax that is currently allocated towards education, the MSI allocations were scaled back in the 2009 Provincial Budget. Also, the MSI is time-limited (10 years), and could be discontinued if the Government of Alberta decides to discontinue it. It is AUMA’s position that long-term sustainability of municipalities would be better achieved through the elimination of the education property tax.

Alberta municipalities have debt limits, and must obtain approval from the Government of Alberta if they wish to exceed them. Alberta municipalities are at an advantage over municipalities in most Canadian provinces, in that many municipalities have to gain approval from their provincial government for all borrowing. Alberta municipal governments are limited in how they can invest money through the *Investment Regulation*. The Cities of Edmonton and Calgary investments are regulated by the *Major Cities Investment Regulation*.

A challenge for many urban municipalities is the inequity between property tax revenue in urban and rural municipalities. In resource-rich regions, rural municipalities can attain very high assessment for linear property taxes. This is due to the kilometers of land where pipelines and other industrial equipment is installed and taxed. Revenues from linear assessment and taxation provide some rural municipalities with a healthy balance sheet, and in some cases, they may rely on their urban neighbours to provide and fully fund services such as policing, recreation and cultural activities. The collection of greater revenues, without the provision of many services by rural municipal governments can lead to inequities and conflict amongst neighbouring municipalities.

Government Grants and Programs

As mentioned in the previous section, the provincial Municipal Sustainability Initiative (MSI), will contribute in 2010, an amount that begins to approach the amount of the education property tax. The Government of Alberta, over the past 5 years, has invested in municipalities to an extent that is unparalleled in Canada. Through the MSI and Alberta Municipal Infrastructure Program (AMIP), and with the Federal Gas Tax program, Alberta municipalities have had access to increasing grants that are used for mainly capital, but also some operating, expenses. Table 1 illustrates the amount of MSI grants in each of 5 years following the program’s announcement.

¹⁰ 2009 Provincial Budget

Table 1: MSI Program Allocations

Year	Amount
2007	\$400 million
2008	\$500 million
2009	\$350 million
2010	\$1.15 billion

Source: 2009 Provincial Budget

There are numerous other grants (e.g.: Street Improvement Program, Major Communities Facilities Program) that Alberta municipal governments can access and use to improve quality of life in their communities. All programs and grants have a time limit on them, and therefore municipal governments are not assured of their continuation. Grants are normally conditional and in some cases include a complex and lengthy and competitive application process. Some grant programs have unclear criteria. Reporting back on the multitude of grants that a municipality receives can be extremely burdensome, and for municipalities with limited access to human resources, grant applications and project reporting can consume more time than the grant is worth. The result can be that municipalities with the capacity to write a good grant application will receive grants, whereas those municipalities without staff to write proposals, or that write proposals that do not meet the requirements of the funder, are not awarded grants.

Municipalities will also chase grants simply because they exist. This can create difficulties, and add to the ad hoc nature of municipal development because projects are taken on that may not necessarily be a priority for the municipality or citizens, or even for the provincial government. Within some programs (e.g. Alberta Municipal Infrastructure Program), the Government of Alberta has tried to address this by creating a screen that ensures core infrastructure is first established through grants, and following the establishment and maintenance of core infrastructure, other projects can be carried out.

The Government of Alberta's ad hoc approach to municipal grants can lead to an "ad hoc" system of capacity to serve citizens in municipalities. A comprehensive and well-thought-out approach to investing in municipal infrastructure and services could result in increased municipal capacity to serve citizens. The ad hoc provincial approach has also resulted in a large government bureaucracy devoted to giving out grants and ensuring accountability for the grants. This contributes to the overall costs of governing in the province. Provincial officials have shared with AUMA that there are over 80 grants and programs targeted at municipalities, all of them with provincial staff to ensure that program guidelines are followed.

As mentioned earlier in the paper, AUMA is advocating for a new provincial-municipal relationship that would see revenues transferred on an annual basis and through an accountability system including systematic and consistent reporting on performance. This system would allow for greater certainty for all parties.

6 GOVERNANCE MODELS TO BE CONSIDERED TO ENSURE A STRONG FUTURE FOR LOCAL GOVERNANCE IN ALBERTA

Introduction

Given the preceding analysis, Alberta's existing system of municipal governance and sustainability is in need of renewal. As a result, the Task Force has identified several governance models that may enhance municipal sustainability. With the exception of maintaining the status quo, the governance models outlined below should not be viewed distinct from one another. A mix of the models could be applied to local governance in Alberta, or in different parts of Alberta. The models are presented in order to begin discussion about workable solutions to ensure the future sustainability of municipal governance in Alberta. Of course, some legislative changes would be required, and AUMA advocates for flexible legislation that recognizes that different municipalities may require varying legislative options. Conducting a review of governance models that could ensure a strong future for local governance in Alberta is the first step. When viable models are identified, AUMA will move to the next phase of the Future of Local Governance initiative – converting recommendations into proposed statutory amendments, and advocating for a model of mix of models that AUMA members consider most likely to succeed.

It is important to note that in order to succeed all models or mixes of models must be accompanied by adequate revenues that will permit all local governments to operate efficiently and effectively. AUMA has proposed in its Provincial-Municipal Agreement that the provincial government provide adequate annual transfers to municipal governments based on a common accountability system that is backed up by yearly Municipal Sustainability Reports. The Minister's Council on Municipal Sustainability Final Report (Minister's Council on Municipal Sustainability 2007) contains several recommendations relating to new revenue options for municipalities, and AUMA's MGA Review Document (2008b) proposes legislation that would allow for new revenue sources for municipalities.

Six governance models are discussed below, including the risks and benefits of the models.

6.1 Governance Model 1: Status Quo

The first governance model presented is to maintain the Status Quo in Alberta. Support for this model would mean that AUMA recommends no changes to local governance in Alberta. Municipalities would continue to function as they do today and there would be no recommendations for solutions to challenges such as effective and responsive delivery of services to citizens. A recommendation to maintain the status quo would mean that Alberta continues to have the same number of municipal governments as there are today, and that no additional changes would be recommended for formation, fundamental changes or dissolution of municipalities.

A Canadian study of four rural municipalities in different provinces, found that greater autonomy does not equal greater capacity. The researchers state that: "when considering the value of autonomy in municipal reforms, academics and policy-makers must take into account the locality's capacity to take advantage of

that autonomy. Our case studies suggest that the level and nature of public participation, expertise and local assets must all be considered for this assessment” (Jacob, Lipton, Hagens and Reimer, 2008: 423). While municipal governments would often like to maintain the Status Quo, this study shows that doing so is not always in the best interest of citizens. It is important to note that participants in sessions on the future of local governance at AUMA’s 2008 Convention indicated that they do not believe local government in Alberta can remain the same as it is today. The Task Force on the Future of Local Governance agrees with the participants in the 2008 Convention Session.

Risks/Challenges

- The Government of Alberta has the power to make changes, and provincial officials have indicated that changes will be made. Should municipal governments suggest that the status quo be maintained, they and their citizens will be unprepared for the changes.
- There is a risk that population will decline and economic/financial collapse will be faced unless municipal governments take proactive steps to become more effective and efficient.
- Unwillingness to change, or to evaluate change options that differ from the status quo could demonstrate a lack of leadership to citizens. This poses a risk, as citizens are the ultimate decision-maker in our democratic system, and citizens elect municipal leaders to take on challenges (including governance challenges) in their communities.
- Another risk is that those municipalities that are unsustainable could go bankrupt, leading to turmoil and difficulties in the community.
- Taxes would rise.

Benefits

- Maintaining the Status Quo allows municipal governments the opportunity to avoid the difficult process of reviewing the sustainability of their municipality. Change itself, and even thinking about change is a difficult process, and requires time and resources.
- More effective representation characteristics of small councils enhances information flow between elected officials and voters, exposing municipal expenditure to more scrutiny by tax payers. (as a result, small councils typically produce services at lower per capita costs). The broad pattern of evidence suggests that lower spending is a feature of fragmented and de-concentrated local government systems. It is no longer obvious that the existence of many municipalities within the same region causes wasteful overlap and duplication (Dollery and Johnson 2005).
- Another benefit to maintaining the Status Quo is that those communities and citizens that are change-averse, could potentially move along more smoothly and with a lesser degree of public backlash against the change. Should the Government of Alberta force change, municipal governments can easily shift the blame for the change away from themselves, and onto the Government of Alberta.

- Local autonomy and a unique community identity are more easily maintained under the Status Quo, and this is very important to municipal governments.

6.2 Governance Model 2: Status Quo + Financial Change

One way of maintaining the Status Quo, structurally, for Alberta municipalities, is to have the Government of Alberta implement a program for municipalities that are struggling, yet wish to keep their local government in place to allow for some self determination, and that meet certain conditions. For example, in order for a municipality to continue operating as a separate municipal entity, the Government of Alberta could require that it continue to provide the following:

- basic utilities,
- builds and services infrastructure (e.g. streets),
- good governance,
- some costs towards the administration of the municipality,
- recreation and some social services (e.g. FCSS).

The Government of Alberta could then implement a “small community financial base program”, providing a base grant to the municipality each year so long as they meet the requirements - for example, those set out above – and the following conditions:

1. Residential mill rate is at a minimum of 50 per cent higher than the average mill rate for municipalities (to ensure that the taxpayers are financially supporting the need for the municipality to survive).
2. The population is staying the same or increasing.
3. The average equalization Assessment per capita is below the average for all municipalities.

This program would replace the “base amount” currently included in all other provincial grant programs. The Province would be able to draw the “base amount” from existing programs into the “small community financial base program”.

Such a program would allow for overall changes to the transfer of monies from the Province to municipal governments. Other provincial grant programs could be converted into an overall revenue transfer from the province to municipal governments, tied to provincial revenues and distributed on a per capita basis. As is outlined in AUMA’s proposed Provincial-Municipal Sustainability Partnership Agreement, this would allow for sustainable and predictable revenues for Alberta’s municipalities. It would also permit a movement away from competitive, application-based grant programs.

Risks/Challenges

- the cost of the grant program. It is uncertain that the Government of Alberta would be willing to put the amount of money necessary into a “small community financial base program”.

- the Government of Alberta could change legislation to lessen the autonomy of municipal governments as they provide greater funding through a program such as outlined above.

Benefits

- the vast majority of municipal governments would be maintained as they currently exist, allowing for the continued existence of municipalities fulfilling the conditions and requirements to maintain their autonomy.
- the program would allow more money to be allocated per capita as a result of the base components of other programs being removed.

6.3 Governance Model 3: Status Quo + Functional Change

Governance Model 3 would see a maintenance of the Status Quo for the number of municipalities and their boundaries, however would require a major change in terms of voluntary cooperation amongst municipalities. Another name for this model is “regional cooperation”. Different words were chosen to present this model due to numerous failed attempts at “regional cooperation” in Alberta. Governance Model 3 intends to go beyond historical regional cooperation in Alberta, to create a new system of local governance that is made up of municipal governments in a region that are on equal footing, and that keep the citizen (of the region) in mind at all points of the decision-making process.

Functional change occurred in the United Kingdom when the national government brought in a new accountability system for local governments through the Comprehensive Performance Assessment that is conducted by the Audit Commission, and independent watchdog in the UK (<http://www.audit-commission.gov.uk/>). Local Governments were encouraged to cooperate and fulfill local and national goals through the new accountability system. In the case of the United Kingdom, this appears to be working to make local governments more effective, efficient and responsive to citizens. One of the reasons for success is that the I&DEA Network (www.idea.gov.uk), which is owned by the UK Local Government Association, provides extensive capacity and support to local governments through tools and programs.

Risks/Challenges

- Inter-municipal cooperation is required in order to deliver more efficient and effective services to municipalities, however municipal neighbours may refuse to cooperate with one another.
- Incentives for cooperation may not be high enough.
- Historical conflict between municipalities could prevent them from cooperating.
- One neighbour may not need to cooperate (is self-sufficient and does not need the grants that are provided through cooperation), and thereby have the power to select which projects will be carried out cooperatively, without thinking about

the benefits of regional cooperation. (mitigation: *Re-training of municipal officials to think and act more cooperatively*)

- Rather than co-operation, a maintenance of the status quo with the addition of effective regional cooperation, attempts to change the functions performed by an historical system with historical relationships. This could encourage a continued competitive environment between municipalities for events, grants, revenues.
- Despite the advantages of partnering, many municipalities could opt out of partnerships, or break partnership contracts. “These problems are particularly acute in countries where local councils coincide with strong local identities; under these conditions local municipalities are especially averse to partnership agreements notwithstanding their manifold economic advantages” (Fiorillo and Pola, 2008 in Dollery/Robotti, p. 81)

Benefits

- Alberta municipalities would not have to go through the difficult process of changing municipal boundaries.
- The academic literature suggests that voluntary cooperation between municipalities to provide infrastructure and services is more cost-effective than amalgamating municipalities.
- If a new accountability framework were established, value for citizens and other orders of government would be provided.
- Maintenance of government that is closer to the people – the local elected officials, while they cooperate with other local governments, remain elected and accountable to those people in their more immediate vicinity.
- Fiorillo and Pola (2008) list economies of scale, equitable sharing of costs and revenues, and avoidance of fiscal competition as potential benefits to this model.

6.4 Governance Model 4: Single tier, full capacity (fewer municipalities) transitioning to the accountability framework as set out in the proposed Provincial-Municipal Sustainability Partnership Agreement

Governance Model 4 would require agreement on what makes a sustainable municipality, the development of an analysis tool that would show when a municipality is no longer sustainable as its own entity, and if that were to be demonstrated, the municipality would restructure. This model depends upon a consensus in Alberta as to the process of evaluating sustainability and then restructuring. The result would be fewer municipalities in Alberta, but the fewer municipalities would have full capacity to deliver effective, efficient and responsive infrastructure and services to citizens.

AUMA (2007b) alluded to this model in its Policy Paper: MSI Analysis and Recommendations Report. The relevant recommendation from the Report is as follows:

3. Community Sustainability

a. Communities need the ability to plan and implement their own long term sustainability initiatives.

Community priorities have to be set by that community - not through complex provincial conditional grant systems. Municipalities have to consider all factors that impact the long term sustainability of their communities. Rather than receive conditional funding, each municipality should complete a long term sustainability plan which prioritizes its critical infrastructure needs and, based on this plan, submit to the Provincial Government a report of its sustainability priorities, including how the MSI transfers addressed those priorities. As stewards of the municipality the Mayor and CAO (or CFO) would sign off on this report.

b. Municipal governments will track sustainability by following their municipal sustainability plan, and by preparing an annual sustainability report.

Due to external forces and changes occurring over time, local governance structures will sometimes have to change. Sometimes this is a matter of gaining economies of scale through regional services, and sometimes this is a matter of declining viability or sustainability of communities. In cases where a solid argument can be made for improved sustainability through regionalization of services and/or administrative functions, a process should be put in place for considering this course of action. In cases where municipalities cannot sustain themselves, other options for their governance, including dissolution, should be considered. This concept was highlighted in the convention-approved AUMA Paper on "Formation, Fundamental Changes and Dissolution" (2004), AUMA's convention-approved "MGA Review Document" (2005) and is discussed in the AUMA Position Paper entitled "Multi-jurisdictional Planning" (2007).

While the literature shows initial poor results to large amalgamations, the true results may become evident in the long-term, after several years have passed and factions on both sides of the debate have moved on to other priorities. The literature on municipal restructuring in Canada reports mainly on the "mega-city" and complex amalgamations involving many municipalities, and fewer research studies have been carried out on smaller scale amalgamations.

Risks/Challenges

- For large and complex amalgamations, there is empirical evidence that says "bigger is not better", however there are fewer studies that show the results of smaller and less complex amalgamations.
- Not enough pre-study of potential amalgamated entities to determine " how best to capture possible economies of scale through various amalgamation scenarios" (Sancton, 2008, p. 129).
- "In spite of much philosophical discussion, there is virtually no agreement on what constitutes an optimum size of a municipality" (Kushner and Siegel 2003) (Dollery and Johnson 2005).
- Amalgamated councils concede all political and operational control to the larger new entity to which they belong.

- Citizens may be more distant from elected officials, thus resulting in a decrease in the health of democracy (Dollery and Johnson 2005). With regard to accessibility, the traditional view has been that smaller units of government are better because they promote direct citizen involvement in decision making (Kushner and Siegel 2003).
- Amalgamating municipalities that were once separate and perhaps conflicting, could lead to conflict within the municipality
- Citizens could be radically opposed to the joining of municipalities, potentially leading to years of political turmoil and instability for the local government/s.
- Study in Australia suggests that forcibly amalgamating councils with a low population density without forcibly merging their populations into larger urban centres may not achieve significant costs savings (Local Government and Shires Associations of New South Wales (LGSA), N.D.)
- Fear of loss of identity as a single municipality

Benefits

- Citizens may feel invigorated and appreciate that the municipality is looking forward to the future and to providing better infrastructure/service, thus resulting in an increase in the health of democracy
- Brings the diverse cultures (rural and urban) to the same table, where they come to have a common goal to work towards.
- Better coordination of efforts that require a more regional approach (e.g.: water systems, transportation, land use planning)
- Marketing of a bigger area under one name could lead to better name recognition and higher status in the world (e.g.: Toronto is now a world-class city – the amalgamation likely helped to increase its status in the world) and attract residents, businesses, tourists to the municipality.
- Economies of scale through cost reduction, elimination of duplicative services, personnel, and equipment. (*****note that the research doesn't bear out the economies of scale argument**)
- Tax burdens within communities can be equalized through the creation of governments that more clearly match area needs (Dollery and Johnson 2005).
- Proponents argue that consolidation is beneficial because it leads to stronger and more accountable municipal government, greater efficiency in the delivery of services, and more fairness in allocating costs to residents (Sancton 2002). Proponents also argue that accessibility is improved because the larger single tier units of government are more understandable, and therefore more accountable to residents than the smaller units with more tiers (Kushner and Siegel 2003).
- Size matters: Larger and more economically powerful municipalities are able to hire more staff and more highly qualified staff. Larger municipalities can hire staff with more specialized expertise in such areas as policy analysis and intergovernmental affairs. It could allow municipalities to develop a level of expertise that might rival that of the province (Siegel 2006).
- Anecdotally, there is evidence of successful amalgamations and annexations.

6.5 Governance Model 5: Regional Government – 2 tiers

This model speaks to the creation of an additional layer of local government in Alberta. Regional government would be responsible for municipal functions that can be better carried out over a region, rather than a single urban municipality or municipal district. This would see the development of regional governments that would perform functions such as regional land use planning, transportation and transit, water and wastewater systems, recreation. There are different forms of regional government, some have councils that are elected directly from the citizens of the region, some appoint councils through existing members of municipal councils that are located within the region. Several jurisdictions in Canada have regional governments.

Risks/Challenges

- Albertans appreciate lean government, and adding a layer of government to the local system of government is not likely to be popular.
- Creates another level of bureaucracy and may decrease efficiencies.
- Can lead to confusion and complexities that are not easily communicated to citizens.

Benefits

- Maintains local autonomy for municipal functions that are more optimally provided at a more direct level, while increasing capacity to perform functions that are better carried out at a regional level.
- Allows for economies of scale in terms of marketing the region, and elevating the importance of the region.

6.6 Governance Model 6: Council members or Committees taking on localized responsibilities

Governance Model 6 could be combined with other models presented above. This model refers to the idea of having a larger municipal government as a result of amalgamating several municipalities into one (governance model 4), yet putting in place certain features that would allow former unique municipalities to maintain their identity and autonomy over certain municipal functions.

For example, the Birmingham City Council in the UK has a Council Constitution that sets out how services are devolved and localized in the City. The Local Involvement and Local Action (LILA) initiative allows Councillors to take action at their Ward levels. The Council's Neighbourhood Renewal Funds have been passed on to the Ward levels, with appropriate budgets. In 2003, devolution and localization of services moved forward by passing on "Executive decision-making powers, budgets and responsibilities"¹¹ to the Constituency levels.

¹¹ http://www.birmingham.gov.uk/Media?MEDIA_ID=84231.

It should be noted that the UK does not have provincial or state governments, therefore the system is slightly different, and local council functions are more numerous than in Canada.

Risks/Challenges

- Lack of capacity in the municipality that once existed may transfer to a lack of capacity to govern/direct local activities.
- Community could continue to decline if the experience of dissolving/amalgamating is too negative.

Benefits

- Allows for unique aspects of a community to continue to be delivered by and in that community even though the municipal boundaries have changed.
- Focusing on one aspect of community, rather than having to deal with all of the responsibilities of a municipal government, could renew and refresh participation in the community and could lead to the development of greater community spirit and identity than was found in the municipality.

7 REFLECTING ON GOVERNANCE MODELS

Leaders in the municipal sector in Alberta have been speculating for some time on the definition of a *sustainable* or *viable* municipal government. Provincial sources suggest the following may be factors which influence the sustainability of a municipality:

- Size of a municipality (possible measure: population counts)
- Financial health of a municipality (possible measure: tax base and other revenues versus expenses and capital requirements)
- Health of democracy within a municipality (possible measures: the number of citizens running for municipal office; the degree of voter turnout)
- Capacity of municipal administration (possible measures: 1. the ability to attract/retain senior municipal administrators, and younger staff as potential successors, 2. Long-term municipal plans in place, 3. Risk analysis and management system)

The Government of Alberta has included some of these factors in public discussions, and has carried out some analysis of these factors, but has not taken an official position on the definition of a sustainable or viable municipality.

The Task Force on the Future of Local Governance determined that a list of broad principles or statements regarding a sustainable municipality, including possible measures of what constitutes a sustainable municipal government, would assist in framing discussions about local governance. Measures and indicators of sustainability from the following institutions were reviewed:

- Conference Board of Canada
- United Nations Development Program
- United Nations Human Settlements Program, UN-HABITAT
- United Kingdom Audit Commission's Comprehensive Performance Analysis (CPA)
- United Nation's Urban Governance Index
- United Nation's Capital Development Fund
- the Ontario Ministry of Municipal Affairs and Housing's Municipal Performance Measurement Program (MPMP)

The Governance Sustainability Statements aim to set out some statements about sustainable local government that can launch a discussion amongst municipalities in Alberta. In using a common definition and possible indicators of sustainable local governance, Alberta municipalities will start to develop a tool for evaluating models for local governance in the province. AUMA provides some broad statements on sustainability for discussion and debate amongst its membership and other officials interested in the future of local governance. The Municipal Sustainability Statements will be revised following discussion and debate.

Governance Sustainability Statements

Following a review of public sector sustainability measurement systems, The Task Force proposes three broad statements about Sustainable Local Governance. Possible indicators are proposed for each of the statements, and it must be noted that a number of indicators should be used to evaluate the models for local governance under each of the "Sustainability Statements". One indicator would not be enough to show a clear trend towards sustainability or unsustainability of local governance. At the time when indicators are finalized, data sources for each will be identified, as well as a method of collecting the data that will indicate greater or lesser sustainability of Alberta's local governance system.

The following three broad "Governance Sustainability Statements" are meant to work together to result in a vision of sustainable local governance. They will be reviewed at the 2009 AUMA President's Summit on the Future of Local Governance.

Governance Sustainability Statement	Some Key Elements	Possible Indicators
<p><u>Statement 1:</u> Sustainable Local Governance means providing and delivering infrastructure and services to citizens in an Effective, and Efficient manner, and depends upon the community's Confidence in its local government to accomplish its goals (municipal administrative capacity, local democracy).</p>	<ul style="list-style-type: none"> • Quality • Unit Cost 	<p>positive audited financial statements, community affordability, (e.g.: cost/household), citizen satisfaction with the municipal corporation, voter turnout, elected officials turnover rate, number of people running for office, adequate resources to provide and deliver municipal services.</p>
<p><u>Statement 2:</u> Sustainable Local Governance means instituting a strong and clear Accountability System for the Municipal Government, which is easily understood and is trusted by the citizens and recognized by the provincial government.</p>	<ul style="list-style-type: none"> • Simplicity • Accessibility • Acceptance of Responsibility 	<p>sustainability/strategic/long-term plan in place including performance measures, annual reports on progress on the plan (measures performance), unfunded or unrecognized liabilities, pavement quality index, annual number of legal non-conformity notices (would indicate that accountability is weak), conformity to Public Sector Accounting Board (PSAB) accounting standards, citizen satisfaction with reporting.</p>

<p><u>Statement 3: Sustainable Local Governance</u> means developing strong inter-governmental coordination and processes (including partnerships with other local governments) that enable responsiveness to citizen needs when those needs cannot be fulfilled by one government alone. Developing processes and coordinating with other governments depends, in part, upon the community's Resources or Adequate Access to Resources (population, local economy, property tax assessment base)</p>	<ul style="list-style-type: none"> • Partnerships • Relationships • Adequacy • Sufficiency 	<p>cost/service/revenue-sharing agreements that optimize infrastructure and services for citizens of the region, relationship with the provincial government, relationship with the federal government, regional planning, population decline each year over 5 years, total grant revenues as a percentage of total municipal revenues, number of administrative positions vacant for more than 3 months, sufficient qualified staff, adequate resources to provide and deliver municipal services, number of candidates in municipal elections, property taxes and deviation from a median or regional median.</p>
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8 PROVINCIAL ROLE FOR THE FUTURE OF LOCAL GOVERNANCE

It must be noted that the provincial government is the only entity that can enact changes to local government structure. The implementation of some of the governance models outlined above would require strong support from municipal governments in Alberta, and a strong demonstration of the value of the recommendation in order for the Government of Alberta to agree to work through them. Ultimately, the decision to change is the decision of the Government of Alberta, and AUMA offers the Discussion Paper as a stepping stone towards a formalized Provincial-Municipal Partnership Agreement that moves both the province and municipalities Ahead.Together.

Some of the governance models would be more easily implemented if a system of financial incentives were to be established. For example, governance model 3, in which the status quo is maintained but effective inter-municipal cooperation is achieved, would benefit from the provision of strong provincial incentives. While the Government of Alberta has encouraged municipal governments to cooperate, and work together on projects through grant conditions and requirements, these incentives have not had widespread success in reducing inter-municipal conflict, and allowing for innovative infrastructure/service delivery to citizens. AUMA studied inter-municipal cooperation with regard to land use planning in its Policy Paper: Multi-jurisdictional Planning, and recommended that incentives for cooperative planning be investigated further. The following was reported in the Paper:

the lack of strong incentives, direction, and enforcement of intermunicipal coordination in some parts of Alberta has placed increased demands on the MGB and the Minister of Municipal Affairs to resolve disputes among neighbouring municipalities (AUMA, 2007a:22).

For this reason, it is essential that incentives for making change be carefully studied and applied. A study of municipal partnerships in France and Italy showed that “fiscal incentives are crucial for encouraging local councils to form a partnership agreement which permits the exploitation of scale economies, the internalization of externalities and the avoidance of fiscal competition” (Fiorillo and Pola, 2008: 89).

A Canadian example of incentives for struggling municipalities can be viewed in Québec. The *Québec Policy on Rurality* was adopted in 2001, along with a government “Declaration regarding rural areas”. The Policy lists 171 municipalities as being “seriously devitalized”, with a low development index (measured by Statistics Canada). A 5-year program was created to assist devitalized communities, with the following results (as of March 31, 2008):

- 4,934 projects underway or completed;
- Over 7,765 jobs created;
- \$85.8 million from the fund generated a six-fold increase in investments, i.e. \$514.6 million.

The program was considered a success and was renewed and enhanced in 2007. The main features of the 2007-2014 Québec Policy on Rurality are:

- A duration of seven years;
- A budget of \$280 million;
- A rural partnership agreement;
- The exploration of new development opportunities;
- The determination to help rural communities by giving them new development officers and support from regional offices of government departments;
- A firm commitment to focus support on devitalized communities;

Source: Muniscope web site: <http://en.muniscope.ca/memfiles/10163151>

Denmark provides an example of a strong incentive system that was implemented to encourage structural change for municipalities. Municipalities in Denmark were given new tasks and became the sole entrance to the public sector¹². In addition, municipalities took over a share of the county revenue from income tax and all the counties' property taxes (Local Government Denmark 2006). For more information on the Denmark example, please see the Background Research Paper released at the same time as the Discussion Paper: *Local Governance: A Short Review of Changes in Various Jurisdictions*.

The Government of Alberta could review some of these examples, and build a "made-in-Alberta" incentive solution that would encourage municipal governments to change in order to ensure their sustainability. It is important that the incentives be adequate to take on the types of governance changes that are required for sustainable municipalities. AUMA recommends a Provincial/Municipal Partnership Agreement that would develop a better understanding and a process where both municipalities and the Province have shared objectives in order to meet all Provincial program requirements and legislation. The Provincial/Municipal Agreement would take Provincial programs one step further, to a ground-breaking partnership between governments that sets its sights on achieving more for communities and Albertans.

¹² The door to city hall became the door to all government/public services

9 CONCLUDING REMARKS

The Discussion Paper is only a start. Its primary purpose is to stimulate discussion amongst municipal governments with regard the sustainability of local governance. Alberta municipal governments need to have the discussion about how they can sustain themselves and their communities into the future. The discussion starts now. The decisions about actions and advocacy are up to AUMA members.

AUMA members are asked to make comments on the Discussion Paper, either through written submission, or by participating in the 2009 AUMA President's Summit, or both. Following the Summit, AUMA will have a Policy Paper for the 2009 AUMA Convention, including recommendations to the Government of Alberta, and potentially to municipal governments. Additionally, practical tools will be developed by AUMA to further assist its members through any changes that may be implemented.

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APPENDIX A

Task Force on the Future of Local Governance

John McGowan, AUMA CEO – Task Force Chair

Nita Bartholow, Town of Sundre CAO

Dennis Evans, Summer Villages of Ross Haven, West Cove & Birch Cove CAO

Dave Gourlay, retired City Manager

Ken Gwozdz, Village of Boyle CAO

Brian Hamblin, City of Camrose Manager

Alana Healy-Newton, Village of Longview CAO

Mike Jordan, City of Calgary Intergovernmental Affairs Consultant

Bernie Kreiner, Town of Hinton CAO

Robyn Singleton, Strathcona County Chief Commissioner

Matthew Wispinski, City of Edmonton Intergovernmental Affairs

