

Examining Municipal Government Models from the Alberta Perspective



Prepared by the Institute of Public Administration of Canada and the
Alberta Association of Municipal Districts and Counties

April 2015

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Published by the Alberta Association
of Municipal Districts and Counties

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Executive Summary

Intermunicipal relationships are complex in Alberta. As the province's economy and population continues to grow, this becomes more and more the case. Whether it is accessing the funds needed to expand critical infrastructure, providing an ever-growing list of services to municipal residents, or addressing emerging land use and development priorities related to natural resource development, municipal issues are rarely contained within municipal boundaries.

As this trend continues, both collaboration and tension among neighbouring municipalities is becoming more common. The economics of service delivery may make cooperation among neighbouring municipalities appealing. Conversely, growth may also change the magnitude and nature of interactions and may create pressures for expansion that result in inter-jurisdictional frictions. Some have called for a revision of Alberta's municipal structures to better align boundaries with issues, while others believe that current legislation provides the necessary tools for municipalities to collaborate regionally while retaining local municipal autonomy.

To inform this discussion, the Alberta Association of Municipal Districts and Counties (AAMDC) commissioned this study to examine various municipal models currently employed in Alberta, the rest of Canada, and the United States. The study gathered background information on the current state of municipal affairs in Alberta through engagement with a number of municipal officials to document local experiences and perspectives. The study then defined and analyzed eight different models of local government from across Canada and beyond, including a description of their basic features. Examples for each of model were analyzed using eight decision-making criteria. The process was repeated for the two major models of rural municipal government in Alberta: municipal districts and specialized municipalities.

This study does not attempt to determine the "best" solution to the local government structure and governance issues under discussion in Alberta. In fact, no such authoritative conclusions are likely possible given the variation in local and regional circumstances. However, the study does arrive at a number of related conclusions and findings.

The two main models of municipal governance currently employed in rural Alberta – the municipal district/county, and the specialized municipality – are performing very well. While each external model analyzed has positive aspects, none is clearly superior to the existing arrangements in Alberta. The key consideration in examining local government reform in Alberta is whether cooperation and collaboration can be sustained among the pressures faced by municipalities and the communities that they serve. Where it works, practical measures and collaborative governance structures can avoid the need for institutional changes. Where collaborative arrangements fail, there are a variety of structural reform options from which to choose. However, in considering such options it is important to recognize the following:

- All municipal governance models have positive aspects and drawbacks. For example, while amalgamations may lead to cost savings, they may create a bias towards the practices of the larger municipality involved.
- If local government restructuring is considered, it is important that it meet two basic tests. First, the model selected should be clearly superior to the existing arrangements, at least in the eyes of the majority. Second, the model selected should be the most appropriate given the needs of the communities that it is to serve.
- Restructuring (or collaboration) should be developed locally rather than instituted from outside.
- When annexation is pursued, it should be seen by all involved municipalities as the correct solution, based on principles established before the issue arises.
- As part of any municipal reform, it is necessary to find ways to manage local community planning issues. Some institutional decision-making capacity may need to be locally maintained, even if the scope of decision-making authority is modest and does not extend to services and infrastructure.

Introduction

The Institute of Public Administration of Canada (IPAC) has been contracted by the Alberta Association of Municipal Districts and Counties (AAMDC) to analyze ten government models employed in Alberta and the rest of North America which could be considered within the Alberta context. The results of this analysis could be used (at least in part):

- To provide decision-makers, particularly those involved in the work of the AAMDC and provincial political and bureaucratic leadership, with a solid base of fact and experience to inform their discussions on municipal governance structures. These discussions may encompass governance, policy-making, planning, service-delivery, finance, and community engagement.
- To inform the debate on municipal governance in Alberta. Decision-makers need options that go beyond conventional discussions about annexation and amalgamation and transcend typical concerns over the urban-rural divide and over planning and cost-sharing. The study will offer a balanced approach to the impact of regional issues and a range of tests for considering the effectiveness of various government models in an Alberta context.

This study examines eight municipal governance models used elsewhere in North America, and considers their suitability to an Alberta context. It also examines the two prevailing rural municipal governance models in Alberta: municipal districts and specialized municipalities. However, it does not recommend an optimal municipal government structure for Alberta or imply that the current system is ineffective. Rather, it provides objective analysis and evidence-supported conclusions about the various operational and structural options that have been tried, both in Alberta and in other jurisdictions. In addition, it considers the factors that typically influence municipal reform issues in a way that will allow individual decision-makers to apply their own judgment and relative weight to those factors based on local circumstances.

This study was motivated in part by the ongoing dialogue within Alberta related to whether current municipal structures are best-suited for local and provincial development or whether another approach is needed. In 2014, the Alberta Urban Municipalities Association (AUMA) membership endorsed a resolution titled *Complete Communities*.¹ The resolution directed the AUMA to urge the Government of Alberta to incentivize amalgamations among municipalities in order “to create specialized municipalities and regional municipal governments.” In other words, the resolution requested the province take an active role in reforming local municipal structures, implying that current municipal structures and voluntary collaborative practices could be improved upon by fundamentally reforming municipal boundaries throughout the province. At the AAMDC’s fall 2014 convention, the AAMDC membership passed a resolution titled *Regional Partnership Solution to Municipal/Community Viability*.² This resolution argues that the existing tools for regional collaboration found in the *Municipal Government Act* are effective in preserving local autonomy while providing opportunities for regional collaboration, and that any changes to municipal structures be determined at the local level without influence from the Government of Alberta.

These examples speak to the diversity of perspectives on this issue in Alberta, as one municipal association has endorsed a proactive approach to reforming municipal structures, while the other supports a continuation of existing tools and structures. This study’s aim is to provide an overview of other models currently used and how they may fare in Alberta relative to the structures currently in place. Its intent is not to support a particular position, but rather to contribute to the ongoing discussion.

¹ For full resolution, see <http://www.auma.ca/live/AUMA/Document+Library/Resolutions>.

² For full resolution, see <http://www.aamdc.com/advocacy/resolutions-resources/resolutions/details/1/729>.

Methodology and Approach

The findings of this study have been drawn from a variety of sources including municipal contacts within Alberta and in other jurisdictions across Canada. They have been consulted in a variety of ways, ranging from attendance at the Alberta Municipal Governance Symposium held in September 2014 in Grande Prairie, to telephone interviews and surveys. The study is also informed by several reports and studies, including those produced by the AAMDC as well as those prepared by governments, consultants and academics. In addition, the research team relied on their own professional expertise in the field including first-hand experience with municipal restructuring and many years in municipal administration and planning. The team included several PhDs and two former Ontario Deputy Ministers: one in the Ministry of Municipal Affairs and Housing and one in Agriculture and Rural Affairs.

The study begins with an overview of the current and historical context of local government in Alberta, including municipal structures, collaboration efforts and economic considerations. Section two examines critical factors associated with municipal government reform including community identity, finance, planning, collaboration, restructuring and representation.

Section three of the study profiles eight municipal models used in other jurisdictions against a variety of practical criteria which represent a reasonable set of filters for evaluating each model. The models represent governance approaches along a continuum that range from the very narrowly defined (annexations and amalgamations) to ever-greater levels of municipal integration across a regional area (federations). The criteria used include finance, governance, service delivery, administration, identity, collaboration, formation and external impacts (refer to Appendix B for a detailed description of each). In section four, the same criteria are used to analyze the prevailing Alberta models of rural or rural-urban governance, which include municipal districts (MDs) and specialized municipalities. In total, the study examines ten models of municipal government employed in both Alberta and elsewhere in North America.

It is important to recognize that while the analysis that was undertaken is considered to be objective, the suitability of each model is influenced by local fiscal, economic and demographic characteristics. As such, decisions for revising municipal structures are best made at the local or regional level, and top-down reform over an entire province is likely to overlook local perspectives and produce distinct classes of “winners and losers.”

These analyses can also lend themselves to a range of conclusions depending on the importance that individuals assign to each criterion. In addition, some individual factors can prove more important in special circumstances, such as avoiding fiscal problems or achieving economies of scale in a rapidly expanding local economy. The findings and conclusions for each model are presented in a fashion that allows readers to apply their own values and priorities to the overall weighting of the factors.

Setting the Stage: A Brief Overview of Alberta and Its Municipalities

For much of its history, Canada was comprised of self-sufficient communities based on agriculture or resource-extraction. With the exception of a few major cities, settlement patterns were dispersed and small urban centres existed to support primary economic activities in those sectors. As a result, municipal governments were organized to deliver basic community programs and services to low-population, space-extensive communities. For most of the last century, municipal governments primarily provided a range of local services such as public protection, road transportation, fire suppression, water/wastewater treatment and solid waste collection. Until the mid-twentieth century, municipal governments and the communities that they served were largely self-contained. Conflicts between municipalities were relatively few, and largely confined to territorial expansions of major urban municipalities like Calgary and Edmonton.

Since the World War II, urbanization and the petroleum-driven economy have altered these conditions in Alberta. With the post-war prevalence of the private automobile and the increasing use of truck transport, previously isolated and self-contained rural and small urban communities were increasingly linked together. This, combined with rapid economic growth in rural Alberta, changed both the role of the province's municipalities and their relationship with one another.

Accelerating patterns of social and economic interaction linked rural and small urban communities. School boards were consolidated and instituted school bussing programs; healthcare services and facilities were expanded on a regional basis; a range of human services programs from social welfare to recreation became a feature in many rural and urban municipalities. Long-distance commuting and remote job sites became more common, with corresponding impacts on residential settlement patterns and infrastructure use within municipalities. Environmental programs based on regional drainage patterns, higher environmental standards and economies of scale put financial and operational pressures on municipalities.

Alberta's Municipalities

Alberta's municipal governments are responsible for providing local services within their jurisdictions. Local services can vary significantly among municipalities, and typically include transportation (roads, streets, public transit), protection (fire, police), environmental (water, sewerage, solid waste, drainage), recreation and culture (community halls, recreation facilities, libraries, museums), planning and development (zoning, subdivision) and general government (council, assessment and tax administration). The type and extent of services provided depend upon the characteristics of the municipality and the preferences of local citizens as acted upon by councils.³

Municipal governments in Alberta are independent and non-overlapping (with rare exception). There are various types but the major distinction is between those for urban and those for rural areas.⁴ Urban municipal categories are cities (16), towns (112) and villages (94).⁵ The rural municipalities are municipal districts of which there are 64. Municipal districts have the option of calling themselves counties, and many do. However the remainder of this study will use the term "MD" to refer to both municipal districts and counties for clarity purposes.⁶ In addition to these conventional municipal bodies, there are five specialized municipalities that were created by the Minister of Municipal Affairs in cases where conventional municipal structures were deemed unsuitable for meeting local needs. Specialized municipalities may be formed under

³ Municipal responsibilities do not include schooling. Local school boards are the other major type of local government. While there are almost 350 municipalities in the province, there are 61 school boards.

⁴ Certain unique areas with small populations are not organized as municipalities but have a quasi-municipal form. They are improvement districts (seven, five of which are in national parks), three special areas and eight Metis settlements.

⁵ There are also 49 summer villages but they are home to only 0.1 percent of the population and are no longer being established.

⁶ The term 'counties' is used throughout North America and the Commonwealth. The term 'municipal district' is largely unique to Alberta and may convey an impression of being an administrative rather than governmental unit to those beyond Alberta's borders.

the authority of Section 83 of the *Municipal Government Act* (MGA) where the Minister is satisfied that the other incorporated statuses under the MGA do not meet the needs of the proposed municipality's residents.

Municipalities have responsibility for services within their boundaries and to their citizens, but normal economic and social interactions often extend beyond municipal boundaries. This has led to the recognition of mutual interests among neighboring municipalities to either manage growth cooperatively or achieve economies of scale in service delivery. To date, inter-municipal collaboration and cost-sharing of certain services and facilities has most often been voluntary. Alberta's current legislation provides several mechanisms to assist municipalities in managing opportunities and dissension in the context of inter-municipal cooperation. Some of these mechanisms are discussed below.

Municipalities are free to cooperate with one another and to enter into formal collaborative or partnership arrangements. In fact, these arrangements are encouraged through both legislative and program options.⁷ Examples include the agreement between Parkland County, the City of Spruce Grove and the Town of Stony Plain to create the Tri-Leisure Centre. Another is the Inter-municipal Collaboration Framework adopted by the Town of Rocky Mountain House, Clearwater County and the Village of Caroline. The Framework, named *Stronger Together*, formalizes their working relationship on matters such as revenue-sharing, water and wastewater services, economic development initiatives, fire services, solid waste, recreation and public works.

Second, Regional Service Commissions may be established under the MGA by cooperating municipalities for the purpose of providing inter-municipal services.⁸ These commissions may have a broad scope but typically concentrate on a single service. Water/wastewater and waste management are the most popular purposes. In 2013 there were 70 Regional Service Commissions, up from 40 in 2001. The commissions operate on a full cost recovery basis.

Third, growth and changing land use needs are common sources of friction among municipalities. Municipalities are responsible for land use planning but are expected to cooperate, coordinate and are strongly encouraged to prepare joint inter-municipal development plans.⁹ This voluntary approach to planning replaced the powerful regional planning commissions which were eliminated in 1996. When municipalities fail to agree on intermunicipal development and service delivery issues, there are a number of avenues available to reach a resolution. In cases when a specific municipal plan or by-law will have an adverse effect on a neighbouring municipality, that municipality may apply for a judgment by the Municipal Government Board. In broader planning and development disputes, the Government of Alberta offers grant funding for intermunicipal dispute resolution, which includes facilitation and mediation services.

Alberta's Economy

Engaging in a conversation about how Alberta's municipalities function requires a discussion of the province's economic context and how municipalities are impacted by assessment, taxation, industrial development, and other factors that influence economic growth. Different municipalities are impacted by economic trends in different ways and to different degrees, and this section attempts to examine these trends for various municipal types. It is important to note that local economic challenges will vary significantly even within municipal types. This section will first provide an overview of Alberta's economy, and move into a discussion of how economic trends and developments play out at the municipal level.

Alberta's economy depends on resource extraction and is strongly linked to global prices for natural resources (particularly oil). As such, it is often characterized as "boom or bust." Interestingly, when this study began, Alberta was firmly in a boom period, with no signs of slowing, but as final revisions are made months later (early 2015), there are clouds on the economic horizon that may impact how both the province and its municipalities function.

⁷ See section 54 of the MGA. Also see the Government of Alberta's Alberta Community Partnership grant program.

⁸ The commissions are established through regulation under Part 15.1 of the MGA.

⁹ See Alberta Municipal Affairs, Land Use Policies, 1996.

Despite the global financial crisis in the previous decade, Alberta has enjoyed several years of prosperity. The energy sector is the engine of this success, although agriculture and agri-food are also having a noticeable resurgence to meet global markets. Investment in bitumen production facilities has reached peak levels, but despite the gradual transition from investment to production, significant investments in the oil industry are projected to continue over the next decade. Energy investments represent about one-half of fixed capital formation in Alberta. The other half comes from non-energy business, construction, and government infrastructure. Investment in these sectors is a consequence of growth in the energy sector and demand spilling over into other sectors of the economy. In recent years, fixed capital formation in Alberta has amounted to almost one-quarter of the total in Canada – over twice the Canadian average per capita. Those investments reflect widespread confidence in the future of the province. Although forecasters express concerns about the eventual capacity to export further expansions in bitumen output, capacity exists in the near and mid-term.

Large investments generate large outputs and create employment opportunities. Gross Domestic Product (GDP) per capita in Alberta (at \$74,147 in 2007 dollars) is about 60 percent greater than that in British Columbia and Ontario. Over the past decade, Alberta has been the growth leader among provinces with real GDP growth averaging over three percent. Although Alberta's growth is forecast to slow and growth in other provinces to improve somewhat over the next five years (2014-18), Alberta is still expected to maintain the lead.

Rapid growth requires labour. Alberta has experienced the highest average growth rate of employment, the lowest unemployment rate, and the highest labour force participation rate of any province since 2000. To illustrate, 28 percent of the jobs created in Canada during the past three years were in Alberta. Again, Alberta is expected to lead other provinces in each of these over the next five years. The strong labour market has stimulated migration, both interprovincial and international.¹⁰ In 2013, 105,000 net migrants entered Alberta; an extraordinarily high level. Total net migration is expected to ease somewhat over the next four years but still average about 67,000 persons annually. Alberta has been one of only three provinces to experience positive interprovincial net in-migration since 2004 (along with British Columbia and Saskatchewan), but the number coming to Alberta was three times the number entering the other two.

Migration is a major contributor to population growth. Between 2004 and 2013, Alberta's population grew by almost 25 percent, more than twice that in British Columbia, Ontario or Saskatchewan. Population growth is expected to slow somewhat over the next five years but again, Alberta is forecast to lead by a considerable margin. Overall, the growth that Alberta has been enjoying for some time is projected to continue.

Attracting people to meet labour demands often leads to improved wages and salaries. That is certainly the case in Alberta. Average weekly earnings in Alberta (\$1,108 in 2013) are approximately 20 percent higher than in British Columbia, Ontario and Saskatchewan. The predicted rates of growth of both for 2014-18 are notably greater for Alberta (at 3.4-3.5 percent) than in the other provinces (which average about 2.65 percent). Hence, the already considerable earnings premium in Alberta is forecast to increase over the next five years.¹¹

Economic Implications at the Local Level

Although Alberta's economy has thrived in recent years, the benefits are not uniformly distributed among municipalities. Population growth illustrates this situation. Between 2002 and 2012, Alberta's population increased by 23.5 percent. That approximate rate of increase was found in Calgary, Edmonton and in Alberta's towns. Elsewhere, the growth was quite different, as table 1 illustrates. Those overall rates also mask wide variances among individual municipalities within each type. Notably, no MD experienced population growth greater than 30 percent.

¹⁰ Since 2005, about 40 percent of migrants have been interprovincial but the share is quite variable.

¹¹ Changes to the Temporary Foreign Worker Program may aggravate wage pressures in some sectors, especially in Alberta.

Table 1. Population and Equalized Assessments as of 2012 and Changes from 2002 Levels, Alberta Municipalities

	% of 2012 Population	% Change in Population	% of 2012 Equalized Assessment	Growth in Equalized Assessments (x 2002 EA)	Equalized Assessment Per Capita, 2012 ('000 of \$)	Growth in Per Capita Equalized Assessments (x 2002 EA pc)
Alberta	100	23.5	100	3.08	192.7	2.49
Calgary	30	24	29.6	2.99	192.1	2.41
Edmonton	22	23	18.4	3.43	163.1	2.80
Other Cities	15	33	10.7	3.15	137.3	2.36
Specialized Municipalities	6	54	9.4	4.70	294.9	3.05
Towns	12	24	8.4	3.09	133.3	2.49
Villages	1	7	0.4	2.25	79.9	2.35
MDs & Cos.	11	7	22.0	2.62	352.1	2.44
Other	2	0	1.2	2.11	n/a	n/a

Sources: Alberta Municipal Affairs, MFIS and Population Lists. Author's calculations.

Municipal population and investment have grown in tandem. The extent of that is, in part, reflected in the growth of property values. Equalized assessments provide an index of property values and changes in those assessments provide a measure of growth.¹² From 2002 to 2012, equalized assessments in Alberta roughly tripled. Given that population increased by 23.5 percent and prices in Alberta rose by 27.1 percent, population growth and price change alone would account for assessments increasing 1.5 times (or one-half of the realized change).

The growth in equalized assessment is also not evenly distributed among municipal types. At 4.7 times, the growth was most dramatic in the specialized municipalities (notably in the RM of Wood Buffalo) but lowest in villages. Among large urban municipalities, only Edmonton's equalized assessment grew at a notably larger pace than the provincial average. Assessment growth was below average, at 2.62 times, in MDs. Again, there are wide differences within municipal types.

Municipalities differ greatly in both population and geographic area. While there are limitations in using per capita measures, they do provide a perspective for comparing municipalities with widely different populations. Table 1 reports per capita equalized assessments for 2012.¹³ The provincial average is \$192,700 per person. Again, there are considerable differences among municipal types. The level in Calgary is at the provincial average, that in Edmonton is lower and the averages in the other cities and towns are less again (at about \$135,000 per capita). The largest per capita assessments are in specialized municipalities (\$294,900) and MDs (\$352,100). The growth in the per capita assessments across

¹² For information on property assessment and taxation in Alberta, see the Alberta Municipal Affairs Guide at http://www.municipalaffairs.alberta.ca/documents/as/AB_GuidePtyAssmt_finrev.pdf.

¹³ Per capita equalized assessments show the property tax base per person but do not reflect the expenditures associated with different types of properties. That is, they reflect only side of the ledger. This problem is examined in the AAMDC's *Apples to Apples: Rural Municipal Finance in Alberta* (2013) and is discussed later in this section.

municipal types was more uniform than the growth in total assessments. The provincial average growth in per capita assessment was about 2.5 times and the growth ranged from 2.35 to 3.05 times across municipal types.

The distribution of equalized assessment by assessment class is summarized in Table 2. Residential assessments account for 65 percent of Alberta's total equalized assessments and, as to be expected, those are distributed among municipal types much as is population. Farmland represents less than one percent of total assessments and is concentrated in MDs. Farmland's small proportion of the province's overall equalized assessment is due in part to it not being assessed at market value but at a regulated rate set by the provincial government. Other non-residential, at 17.8 percent, is the second-largest single category. Linear property (pipelines, oil and gas wells, electricity transmission lines) accounts for 8.7 percent of assessments. Eighty percent of linear property is found in MDs, as they host most of Alberta's industrial development. Machinery and equipment (M&E) is of a similar magnitude, and almost half of that is located in MDs with most of the other half located in specialized municipalities (particularly Wood Buffalo and Strathcona).

Table 2. Distributions of Equalized Assessments by Class, 2012								
	Residential	Farmland	Other Non Residential	Linear	Machinery & Equipment	Railway	Co-generating M&E	Total
Alberta	65.0	0.8	17.8	8.7	7.6	0.1	0.0	100
Distribution across Municipal Types								
Calgary	35.2	0.2	36.3	2.9	0.5	34.8	0.0	29.6
Edmonton	21.0	0.5	24.7	2.6	1.6	2.1	6.4	18.4
Other Cities	12.8	0.4	11.0	1.7	3.3	3.2	0.0	10.7
Spec Mun	6.3	1.3	6.7	6.5	45.9	3.7	0.0	9.4
Towns	10.4	0.4	8.0	1.3	1.2	3.5	20.9	8.4
Villages	0.6	0.0	0.3	0.1	0.1	0.7	0.0	0.4
MDs & Co.	13.0	91.9	12.3	80.0	46.3	48.3	72.0	22.0
Other	0.8	5.3	0.6	4.8	1.1	3.8	0.6	1.2
Total	100	100	100	100	100	100	100	100
Distribution within Municipal Types								
Calgary	77.2	0.0	21.8	0.8	0.1	0.1	0.0	100
Edmonton	74.1	0.0	23.9	1.2	0.7	0.0	0.0	100
Other Cities	77.8	0.0	18.4	1.4	2.4	0.0	0.0	100
Spec Mun	43.6	0.1	12.7	6.0	37.5	0.0	0.0	100
Towns	80.6	0.0	16.9	1.4	1.0	0.0	0.0	100
Villages	83.6	0.1	11.6	2.9	1.6	0.1	0.0	100
MDs & Co.	38.5	3.6	9.9	31.8	16.1	0.1	0.0	100
Other	42.9	3.9	9.5	36.3	7.3	0.2	0.0	100

Source: Alberta Municipal Affairs, MFIS.

Noting the distribution of assessments within municipalities by municipal type is also informative. Residential assessment is dominant in urban municipalities – about three-quarters of total assessments in cities and over 80 percent in towns and villages. In specialized municipalities and MDs, residential assessments account for about 40 percent of the total.

Linear property and M&E are together the largest component of assessments in MDs (47.9 percent) and tied with residential for the largest in specialized municipalities (43.5 percent), but are relatively minor parts of the tax base in other municipal types. While about 90 percent of linear and M&E is concentrated in MDs and specialized municipalities, about 80 percent of other non-residential assessments (and of an equivalent \$104 billion) are in urban municipalities.

While some rural municipalities receive significant revenue through linear and M&E assessment, consideration has to be given to the associated costs that municipalities face in hosting such development. The impact of industrial activity on local infrastructure (such as roads, bridges and water systems) translates into a substantial financial burden on rural municipalities. Despite having only 17% of the province’s population, rural municipalities are responsible for maintaining approximately 75% of the roads and 60% of the bridges. This is exacerbated by the fact that rural municipalities have a very limited residential tax base. Furthermore, the costs for these types of services have been rising rapidly and provincial funding support has been declining.¹⁴

The property tax burden of residents across municipal types is also important to understanding how economic trends impact different municipal types. A comparison is made by looking at property taxes collected on residential and farm property (see Table 3). Despite differences in service levels and circumstances, the average property tax that residents paid in a given year is quite similar across municipal types. In 2002, the average was \$535 per person with a range from \$469 to \$567. A notable feature is that the per person property tax burden of residents in MDs is essentially the same as those in the major urban centers.

Table 3. Per Capita Residential and Farm Property Taxes, Municipal and School (dollars)			
	2002	2012	% Increase
Calgary	564	907	61
Edmonton	525	942	79
Other Cities	562	985	75
Spec. Muns	525	773	47
Towns	537	924	72
Villages	469	778	66
MDs & Cos.	567	937	65
Source: Alberta Municipal Affairs, MFIS.			

Looking Closer: Municipal Relationships Examined

Most of the discussion above focused on broad types of municipalities rather than relationships among specific municipalities within those groups. This section will focus on local or regional municipal relationships, most of which have experienced tension related to demographic and economic changes and have sought means of easing that tension. These examples demonstrate that while there are intermunicipal challenges in Alberta, the municipalities involved have been innovative in adopting collaborative arrangements that meet local circumstances and preferences.

¹⁴ For a full discussion on the costs of rural services, see the AAMDC’s *Apples to Apples: Rural Municipal Finance in Alberta* (2013) with updated statistics from AAMDC.

Calgary and Edmonton Metropolitan Regions

Alberta's two largest cities have experienced population growth reflective of the provincial average, but many surrounding municipalities have experienced notably higher growth. This has led to a number of growth-related challenges in both the Edmonton and Calgary regions.

Communities in the Calgary region that have experienced exceptional population growth include Chestermere (301% growth between 2002 and 2012), Okotoks (114%), and Airdrie (110%). In other communities neighbouring the city, growth was relatively high: populations grew between 40% and 50% in Strathmore, Cochrane, and High River. These high growth rates put pressure on the region's municipalities to keep up with increasing demands for infrastructure and services. It also increased land use tensions between rapidly growing urban municipalities and predominantly agriculturally-based rural municipalities.

In 1999, urban and rural municipalities in the Calgary region voluntarily formed the Calgary Regional Partnership (CRP) in an attempt to address these challenges and collaboratively plan for continued growth. In 2009, the CRP created the Calgary Municipal Plan to guide growth and development in the region. Disagreements over the plan and regional land use resulted in several MDs withdrawing from the CRP. The MDs still participate in regional planning but only with individual municipalities. For example, Rocky View County and Calgary have an Intermunicipal Development Plan.

In the Edmonton region, the situation is more complicated. As in the Calgary example, several municipalities in the region have experienced very high rates of population growth. Those with population increases between 50% and 100% between 2002 and 2012 are Beaumont, Leduc, Fort Saskatchewan, Spruce Grove and Stony Plain. Tax base growth, in both level and composition, has usually paralleled population growth so, for example, the residential (and farm) proportion of the overall assessment totals in most Edmonton-area municipalities have changed little and the growth in levels have been typical in most instances. Despite uneven population growth among municipalities within Edmonton's metropolitan region, their relative fiscal circumstances do not appear to have changed notably.¹⁵ However, there are differences in the fiscal characteristics among the region's municipalities that have caused recent tensions.

Significant in the Edmonton region is the relative imbalance in non-residential (industrial) tax base proportions among different municipalities. For example, the proportion of residential/farm assessment in Leduc County (37% residential or farm share in 2012), Strathcona County (59%), Sturgeon County (64%) and the City of Fort Saskatchewan (55%) is less than that in other municipalities in the region such as Edmonton (74%) and Beaumont (95%). However, in all of these municipalities (with the exception of Strathcona County), the residential/farm share has increased between 2002 and 2012. Therefore, although there are differences in the non-residential tax base shares among Edmonton-area municipalities, those differences have diminished since 2002, indicating that industrial activity and residential growth is becoming more uniformly distributed across the region.¹⁶

Nonetheless, large non-residential tax bases are attractive to neighbouring municipalities without a similar source of revenue. This appeal was evident when there were plans – plans that are unrealized thus far – for large investments in bitumen upgrading facilities in the area north and east of Edmonton. The City of Edmonton argued for a share of industrial tax revenues from the potential projects due to the likelihood of most employees settling within the city's boundaries. The failure of those developments to materialize seems to have diminished the political push for accessing that base.

The number, size and proximity of the municipalities surrounding the City of Edmonton presents regional issues related to land use planning, growth management, and regional service delivery. The Alberta Capital Region Alliance emerged (after the demise of the metropolitan planning commission in 1995) to collaboratively address regional issues. ACRA's limitations

¹⁵ Where per capita residential and farm taxes increased above average (notably in Sturgeon County and Morinville), they rose to about average levels.

¹⁶ The growing importance of the residential/farm share of municipal tax bases is typical across Alberta municipalities.

ultimately led to the City of Edmonton withdrawing from it and, eventually, to the provincially-led establishment of the Capital Region Board (CRB) in 2008. Unlike the Calgary Regional Partnership, participation in the CRB is mandatory for municipalities in the Edmonton region. The CRB's primary purpose is to serve as a venue for members to collaboratively plan for regional growth and serves as a regional level authority focusing on land use, intermunicipal transit, affordable housing and geographic information systems.¹⁷

The recent rapid growth in the Calgary and Edmonton regions has led to major regional municipal challenges related to land use and servicing an expanding population. Both the CRP and CRB have faced considerable challenges in fairly representing the diverse membership, and suggest that while regional planning may be effective for some issues, it must be balanced with the preservation of municipal autonomy.

The City of Grande Prairie and the County of Grande Prairie

The Grande Prairie region has grown rapidly in recent years. The City of Grande Prairie's population increased by 49% between 2002 and 2012 and the County of Grande Prairie's rose by 30% (the greatest increase of any MD). These population pressures have led to property tax increases in each municipality. Between 2002 and 2012, residential/farm property taxes in the City increased by 94% to \$1,161 per person, which is the second highest level among cities. The same taxes in the County rose by 76%, a rate that is an above average increase among MDs, but to a 2012 level of \$832 per person, which is slightly below average among MDs. Part of the reason for the difference between the City and the County is that the residential and farm property accounts for 41 percent of the County's tax base (up slightly from 36%) while it is 70% of the City's, meaning that the County has a more diverse tax base from which to draw. It is also impacted by the fact that residents of rural municipalities typically receive fewer municipal services, and therefore pay lower taxes.

Recently, urban growth pressures have resulted in the City of Grande Prairie calling for a substantial annexation of County lands. The County is protesting the extent of the proposed annexation and the City's growth projections. The Municipal Government Board is holding hearings on the proposal. Although the City and the County are at odds over the annexation proposal, they cooperate in other areas. Notable is the joint ownership of a regional utility, Aquatera.¹⁸

Lac La Biche County

Lac La Biche County provides an example of dissolution extended to the point of amalgamation. In 2002, the Village of Plamondon dissolved to become a hamlet within the County. In 2007, after discussions with the County, the Town of Lac La Biche (population 2776) dissolved to become a hamlet as well. Prior to this, the Town was the only independent urban municipality within what was then known as Lakeland County. The new amalgamated municipality was renamed Lac La Biche County. The addition of the Town to the County added substantially to the County's residential assessment but only trivially to the non-residential tax base.

The motivation for the amalgamation was two-fold: Firstly, combining the Town and surrounding rural area would enable economies of scale in providing certain services and maintaining infrastructure. Secondly, the amalgamation provided a locally-determined method to allow for tax revenue collected by the rural municipality to be used to maintain and upgrade infrastructure located in the former town and used by both urban and rural residents. While many urban and rural municipalities choose to share in these costs through agreements relating to specific infrastructure and services, the former councils and residents of the Town of Lac La Biche and Lakeland County preferred amalgamation.¹⁹

¹⁷ The governing structure of the Capital Region Board is not dissimilar to that of British Columbia's regional districts and, in particular, the Greater Vancouver Regional District.

¹⁸ For more information on Aquatera, see p. 34 of this study.

¹⁹ Town residents voted 93% in favour of amalgamation, while county residents were 53% in favour.

Cold Lake, the MD of Bonnyville, and Lac La Biche County

The City of Cold Lake and the neighbouring rural municipalities of the MD of Bonnyville and Lac La Biche County present a unique situation. The City includes CFB Cold Lake, a Canadian Forces base used by the Royal Canadian Air Force. As such, federal employees represent 22% of the City's workforce. The City recently argued that while it housed those that worked at the base and used the associated Cold Lake Air Weapons Range, it did not share in the tax base accruing from oil and gas activity at the range, the majority of which went to Lac La Biche County.²⁰ Although it was a long and complex exercise, an agreement (facilitated by the province) was reached in 2011 to have property tax revenues from the range (designated as an improvement district²¹) transition to the City.

That decision impacted Lac La Biche County, the MD of Bonnyville and, in turn, the Regional Municipality of Wood Buffalo. Lac La Biche County, which had previously received property tax revenues from the range, was compensated with land that was previously part of the RM of Wood Buffalo. Although the amount of land was less than that given up by Lac La Biche County, the municipality was pleased as the land carried significant development potential. The RM of Wood Buffalo was then granted former Crown land neighbouring Ft. McMurray for urban development. The MD of Bonnyville continued to receive a share of the range's property tax, reflecting the cost of providing road access. The province managed these developments and the transition process (and also receives a percentage of the base's property taxes). This process required the cooperation of each municipality involved and the province. The agreement ultimately met the needs of the City of Cold Lake without harming the ability of the neighboring rural municipalities to develop.

Regional Municipality of Wood Buffalo

The Regional Municipality (RM) of Wood Buffalo was formed as a specialized municipality in 1995 when the City of Fort McMurray amalgamated with Improvement District No. 143. Approximately 63% of the RM of Wood Buffalo's population resides in Ft. McMurray. Despite its size, Ft. McMurray is an urban service area, rather than separate municipality. This unique arrangement illustrates the importance of the RM of Wood Buffalo's status as a specialized municipality as it allows the industrial development in rural areas of the RM to fund urban development within Ft. McMurray.

The RM of Wood Buffalo's rapid resource-related growth has resulted in unique circumstances related to municipal taxation and assessment. The RM's population doubled between 2002 and 2012 with the expansion of the oil sands, resulting in the need for rapid infrastructure growth. Despite this, residential and farm property taxes per person grew a modest 27% and, at \$481 per capita, are comparatively low among Alberta's municipalities (but to what extent this calculation is affected by the work camp population included in census counts but which does not pay municipal property taxes is not known). The low level of the residential and farm property tax base (only 33 percent in 2012, down from 36 percent in 2002) means that the large non-residential base (primarily machinery and equipment related to oil sands development) generates the majority of municipal property tax revenue. With the creation of the RM of Wood Buffalo and its associated specialized municipality status, the large non-residential tax base outside of Fort McMurray provided funds to support the region's rapidly growing urban centre.

Alberta's Villages

Between 2002 and 2012, population growth in villages averaged only seven percent, well below the 23.5 percent provincial average, and many villages have seen their populations decline recently. Between 2002 and 2012, eight villages

²⁰ A similar argument was made that while the City housed many of those engaged in the surrounding oil industry and was a service center for the industry and its workers, the associated property tax base and revenues accrued to the MD of Bonnyville. While probably less than the City would have preferred, the MD has cooperated with the City on projects which the MD felt advantaged its citizens. An example of that is the MD's 2013 one million dollar contribution to the new Family and Community Support Services facility. Both also collaborate in two utility commissions.

²¹ For information on improvement districts, see <http://www.municipalaffairs.gov.ab.ca/1756.cfm>.

dissolved into a surrounding rural municipality.²² With the widespread struggle to maintain population and the associated rising property tax burden, more villages may find dissolution necessary in the future. The provincial government has a Municipal Sustainability Strategy and working group that assists municipalities in assessing their viability and options.²³

With collaboratively-formed regional service commissions or districts providing water, waste management and other services to smaller communities a common trait among Alberta's municipalities, dissolution does not necessarily mean that newly formed hamlets will become a burden on the absorbing rural municipality. However, the appeal of dissolution is likely to be greater for small urban centers located within rural municipalities that have adequate industrial taxation revenues, as they are better able to take on the infrastructure and service needs of the dissolving village. An imprecise check suggests that villages which dissolved in recent years benefited from a large reduction in the residential/farm tax rate imposed by the rural municipality as opposed to the village rate. However, this observation does not account for any special service levies imposed on the hamlet by the absorbing rural municipality.

The dissolution of villages, though often necessary, creates major fiscal challenges for the absorbing rural municipality. In many cases, villages dissolve because they lack the funds to modernize aging infrastructure. When dissolution occurs, this infrastructure deficit is often forced upon the absorbing rural municipality, despite the fact that its administration, council, and taxpayers had no role in its deterioration. Although the Government of Alberta provides limited funding for absorbing municipalities, the tremendous pressure that an inherited infrastructure deficit places on rural municipalities continues to be an often overlooked challenge in the dissolution process.

In Summary

Recent demographic and fiscal changes have stressed many municipalities in Alberta. In some cases, the stresses have caused tension among neighbouring municipalities. Often these disagreements center on land use (and boundaries) but occasionally they have been aggravated by fiscal disparities among neighbouring municipalities.²⁴ In general, recent growth and development has not resulted in significant changes to the residential/farm versus non-residential tax base proportions in most of Alberta's municipalities.²⁵

Regardless of the motivations or underlying sources of stress, these illustrations, among others, demonstrate the flexibility of Alberta's municipal system. That flexibility facilitates the emergence of voluntary collaborative arrangements that effectively accommodate change and often resolve inter-municipal issues. Where voluntary arrangements have not been effective, the province has stepped in – often in innovative ways – to facilitate a settlement.

²² Another two converted to town status.

²³ For more information on the Municipal Sustainability Strategy, visit <http://www.municipalaffairs.alberta.ca/1330.cfm>

²⁴ The substantial growth in energy related investments and their impacts upon property values and tax bases in some municipalities have drawn attention to that tax base and its distribution. That attention has led to proposals for a different sharing of that property tax revenue and to suggestions of amalgamation (e.g., Don Good, 2012; David Staples, 2014; and AUMA 2014 Convention session). Some of the illustrations noted and actions taken reflect that concern and the proposals for resolution.

²⁵ Across all municipal classes but for specialized municipalities, the residential/farm share of the tax base has increased between 2002 and 2012. The specialized municipalities are an exception only due to the shift in Wood Buffalo. The energy boom has not favoured any one group of municipalities with exceptional growth in non-residential property values. Even in the municipal districts where much of the linear and M&E properties are concentrated, only one-third of the MDs saw their residential/farm share decline (on average by 15 per cent) and in only one-quarter did it decline by more than five per cent.

Always Moving: Municipal Governance Evolution

Municipalities are not static. They are constantly evolving whether through economic or demographic progressions like those discussed above or through changing citizen expectations. In some cases, this fluidity leads to changes in how municipalities work with one another, other levels of government, and the private sector, or to more fundamental changes in municipal structure. Ideally, such change should take place only if the current structure is no longer meeting citizen needs.

This section will examine several factors that may influence change in how municipalities govern, and when changes may be necessary to municipal function or structure. The following outlines these factors, though it should be noted that in each situation, different factors should be weighted differently to account for local conditions.

Municipal Government Principles

Any municipal structure should meet three principles. When municipal governments are unable to meet one or more of these principles, it occasionally leads to restructuring. The three principles can be described as follows:

1. *No taxation without representation* - Citizens should only be taxed if they have some control over the range and cost of the public services for which they are required to contribute through taxes, utility fees and service charges. While there will be many occasions when a citizen does not directly benefit from the public services for which they are being taxed (e.g., school taxes paid by the childless), taxpaying citizens should always have some influence over their taxation (e.g., the right to elect the political decision-makers who set the agenda of public education).
2. *Representation by population* - Political decisions should not be influenced by one group to a greater extent than a similar group in the same jurisdiction for reasons of geography or other organizational factors. This has several implications:
 - No small group within a political jurisdiction should be able to frustrate the democratically expressed will of the majority, unless it clearly offends some well-established rights, like property rights or fairness in taxation.
 - The principle only applies within political jurisdictions, such as a province or a municipality. Within a political jurisdiction competing political interests can reach a decision, through their elected representatives, that binds the whole. Decision-making between political jurisdictions (such as two municipalities) is a matter of transaction as legal equals. This can make the resolution of differences and political decision-making more difficult.

Taking actions that are perceived to have a negative effect on a neighbouring jurisdiction may undermine support for this principle. It may lead to demands for arbitration of disputes or the involvement of outside authorities, such as the courts or provincial decision-making bodies.

3. *The government closest to the people* - The public is best served when government services and programs are developed and delivered by the level of government closest to those affected, but consistent with considerations of equity, effectiveness and efficiency. This is a basic tenet of local government.

However, when a municipality is too small or fiscally weak to deliver necessary programs or services, the municipality or its residents will often try to correct the problem. They may seek to organize the delivery of programs or services in cooperation with others, to share the fiscal or economic resources of others (e.g., tax base), to expand its political jurisdiction geographically or by merger, or to become part of another, broader political jurisdiction.

These three principles form the backbone of democratic municipal governance. In many cases, a specific governance structure will meet some of the principles better than others. Often, municipal collaboration or structural reforms are undertaken in an attempt to better fulfill one or all of these principles.

Community Identity

While some have argued that municipal structure is a precondition for the survival of a community, the answer seems to be more complex. The term “community” means different things in different circumstances. To some it may be strongly linked to municipal structures, while to others, the two are unrelated. While they may influence decisions about municipal structures, community identities can and often do continue regardless of how municipalities change. There are three primary conclusions related to the link between community identity and municipal structure.

First, some sustainable level of community identity will typically survive based on the vibrancy of organizations such as faith congregations and service clubs within the community. It is not especially important to preserve local identity using municipal structure, unless there is some reason beyond nostalgia. It is important, however, to preserve voluntarism and public participation in the local community, and the reformed municipality should make this a priority.

Second, preserving the predecessor community’s identity into the future may be crucial to achieving land-use planning goals within localized geographic areas. In that case, some institutional decision-making capacity may need to be maintained, even if the scope of decision-making authority is modest and does not extend to significant municipal services and infrastructure. This was done in recent Toronto and Montreal amalgamations, with the Toronto Community Councils’ planning authority and the localized service-delivery responsibilities of the Montreal Boroughs maintained.

Third, changing municipal structures may attempt to create a stronger sense of identity for the broader community while simultaneously attempting to integrate the local community into the new municipality. Under those circumstances, there are a number of measures that can protect the interests of the local community while still allowing them to participate in the new municipal structure without institutionalizing barriers to area-wide political decision-making, service-delivery and social integration. This can include localizing the cost and level of services and allowing for localized planning bodies that contribute to broader municipal planning processes.

Municipal Finance and Planning

This section will consider the impact that evolving citizen expectations and demographic or economic growth patterns have on the ability of municipalities to plan for and finance infrastructure and service delivery, as well as to accommodate industrial development. In many cases, municipalities in Alberta and elsewhere have resorted to innovative collaborative agreements with one another and the private sector, or fundamental restructuring to better serve citizens and plan for continued future demographic or economic growth.

Since the 1950s, residential development patterns saw new suburban residents settle in rural municipalities or in expanding small urban centres. These new residents chose a rural or small town lifestyle but often expected many of the municipal service-standards common to urban municipalities. These patterns of social and economic interaction made it increasingly difficult to match municipal services with those being taxed to provide them. For instance, urban drivers routinely used rural roads and bridges and rural residents routinely used infrastructure built by taxpayers of urban municipalities, such as recreation facilities. In the absence of effective cost-sharing agreements, these pressures often led to annexations by urban municipalities, and to all forms of municipal consolidations within rural areas.

With increased municipal servicing costs came competition for limited fiscal resources, notably own-source tax revenues available to municipalities. In the Alberta context, this often included urban and rural tensions related to the distribution of industrial taxation revenues, as well as urban and rural municipalities’ coveting of industrial and commercial property assessment on the urban/rural fringe.

The impacts of growth were not merely financial. Land-use planning increased in importance in post-war rural Alberta. Planning new suburbs and resource communities and expanding towns and cities was necessary to accommodate a growing population. Municipal land-use planning aimed for the orderly and economical installation of municipal infrastructure. This planning was intended to sustain small town commercial cores in the face of fringe commercial

development, and to provide suitable land for manufacturing and other industrial development. Provincial planning policies and the now defunct Regional Planning Commissions added their weight to these policy directions in Alberta.

Plans in urban municipalities also typically aimed to ensure that any new fringe development stayed within municipal boundaries, used extensions of existing municipal infrastructure, and were added to the property tax base of the urban municipality. Plans in rural municipalities aimed to attract new non-residential development to support the rural tax base, provide off-farm employment, and ensure effective segregation of land uses to protect agriculture and residential communities. Land developers also pressed to create suburban and ex-urban residential communities in rural municipalities for those seeking rural lifestyle and affordable housing, as well as promising rural municipalities the near-term gains of new assessment and development-related revenues.

As municipal populations continue to increase and citizen expectations rise, new priorities result. Recently, municipal planning has become less of an inwardly-based activity and has begun to focus on municipal fringes and the activities of neighboring municipalities. In Alberta, these challenges have manifested themselves through an increase in municipal collaboration, such as intermunicipal development plans, cost-sharing agreements and friendly annexations.

Sometimes these collaborative arrangements cannot be successfully negotiated, or break down over time due to changing circumstances. In many cases, cooperative arrangements fail because one or more of the municipal partners no longer believe that they reflect the best means for serving the evolving community. When this happens, the solutions often involve more institutional changes, such as annexations or amalgamations.

For rural municipalities, an influx of suburban or fringe-area residential or commercial development may alter the nature of the municipality and relations with its neighbours. To some extent, these patterns are an inevitable result of regional economic growth and development industry pressure, or simply a desire to gain additional taxable assessment and development revenues. However, decisions by a rural municipality to pursue such growth do more than gradually change the nature of the municipality. These decisions can be a slippery slope in terms of the rural municipality's fiscal future and its relationship with its municipal neighbours. If urban development in a rural municipality depends on the extension of services by the adjoining municipality, creates land-use conflicts, or generates increasing demands for programs and services in the adjoining municipality without proper compensation, inter-municipal conflict may ensue. This conflict may lead to annexation or other forms of restructuring, such as an amalgamation or formation of a specialized municipality.

Whether municipal planning and fiscal pressures lead to cooperative initiatives or structural changes, there is no question that municipal finance and planning has evolved from having an inward focus to one that is impossible to undertake in isolation. As such, municipal leaders must have a clear idea of options available for growth planning. This will empower local decision-makers to represent their municipality in regional issues and argue the superiority of their options to other, less satisfactory alternatives. Finally, and more practically, it represents a better alternative to ignoring the pressure to adopt a regional lens to municipal planning. Across North America, the latter course often leads to decisions about reform being made by others.

Regional Collaboration

As municipal finance and planning evolve to an outwardly-focused activity, many municipalities explore innovative ways to collaborate with their neighbours to offer some services more efficiently, while maintaining the autonomy that comes from preserving existing municipal structures.

In many cases, regional collaboration among municipalities is centered on service delivery. In several of the regional models elsewhere in North America, important and costly municipal services such as water treatment and social services are moved to a regional or upper-tier level while less demanding services continue to be the responsibility of the local municipality. This may create a two-tier system of municipal government, or the regional collaboration can focus strictly

on services, as is typically the case in Alberta. In most models where two-tier systems are established, taxpayers view their local municipality as accountable for municipal services and responsible for municipal political decisions, including taxes.

Decisions by local municipal councils may also have significant impacts for regional service-delivery and costs. For example, if the local municipality continues to be responsible for development approvals or service extensions, their decisions will affect regional development plans.

Politically, local mayors and reeves will often see their first loyalties to the community that elected them and to the municipality of which they are the political head. As such, if they also serve on the regional level council, they may find that they have divided loyalties. These conflicts are not just a matter of local politics. They can, over time, undermine confidence in the regional level of municipal government or constrain its powers to the point where it is not effectively carrying out its responsibilities.

Many two-tier models are designed to implement checks and balances on regional or upper-tier authority. This may begin with the election of the political executive by their fellow councillors, rather than directly by the electorate, with the implicit ability to remove them. Some regional structures have required membership from a cross-section of local communities, so that a majority on council from one or two large municipalities cannot make decisions independently.

A regional decision-making body with strong local bias will often use permissive provincial legislation to devolve some regional services to the local level, or resist moving local services to the upper-tier. Examples would be keeping retail water (local distribution and billing) at the local level, while transferring wholesale water treatment and distribution to the regional level. In other cases, functions may be transferred to create budget room at the local level, with the regional level absorbing the costs involved.

One counter-balance to the importance of local mayors and reeves (and their often primarily local loyalties) has been to promote a stronger elected executive at the upper-tier or regional level. This effort to strengthen the upper-tier political executive may be as simple as eliminating the tradition of rotating the political leadership role at the upper-tier in favour of a political executive who has a longer or open-ended term of office. In some jurisdictions, the political head of the upper-tier municipality ceases to be a local representative. In other cases, the political executive is elected directly from a region-wide electorate and thus has an independent political base and mandate. Some region-wide political executives receive a salary designed to allow them to spend more time overseeing regional issues (as well as maintaining good relations with the constituent local municipalities and their officials).

While two-tier models that split regional and local governance or service delivery are often challenged by a tension between local and regional priorities, more fundamental regional restructuring of government often leads to difficulties in maintaining an equitable distribution of political influence among various areas within the newly formed municipality. When pursuing a tiered regional approach, municipalities must consider the most effective way to balance decision-making power between the two tiers to ensure both remain viable and have clear responsibilities.

Municipal restructuring

Municipal restructuring often occurs in response to changing local and regional needs, and is often pursued when regional collaboration is ineffective. Following a shift into a new municipal structure, one must consider the ability of the new structure to adapt to additional changing needs. This section will examine municipal restructuring initiatives that have occurred across North America in recent years. Each took different approaches in an attempt to improve the efficiency and responsiveness of municipal government. Some were successful while the jury is still out on others.

The incentives for municipal restructuring come from a variety of sources. They may be due to external factors, such as economic changes (whether growth, decline or employment shifts), or due to provincially initiated reform requirements. In other cases, local circumstances drive the demand for restructuring: changing regional economic conditions, severe fiscal pressures due to service demands or a changing tax base, a perception by municipal or community leaders (and

often the media) that the existing structure is not performing well or is unfair to one or more communities. Typically, local government restructuring ranges from the relatively modest (annexation of a fringe area of residential development or industrial or commercial assessment), through to full-scale mergers or amalgamations of a region's local governments.

It is worthwhile to look closely at proposals for municipal mergers, as they represent both risks and opportunities. It is also important to recognize that municipal restructuring may stabilize the situation in the near-term, but give rise to demands for more change in the future. Such restructuring often produces winners and losers, as service levels will improve and tax rates will decrease for some residents, while others will likely experience the opposite.

In several North American examples, neighbouring municipalities that work closely together in an informal regional structure may move to consolidate into a single-tier municipal structure (or the province/state or local stakeholders may push for it). Long-term collaboration renders the formation of a larger municipal government relatively simple, and allows administration and decision-making to be better linked to service-delivery, the majority of which was already regionalized. The American pattern of merging cities with their surrounding counties is an example of this.²⁶

A number of the Ontario single-tier county-based amalgamations reflect this pattern: the Municipality of Chatham-Kent and the City of Kawartha Lakes are examples. There are also elements of this pattern in the restructured Counties of Oxford, Haldimand and Norfolk (the latter two created by dissolving a two-tier regional municipality). Each of those counties absorbed their main cities and towns. In the case of Chatham-Kent and Kawartha Lakes, local debate led to an impasse and the intervention of a provincially-appointed arbitrator. In Oxford County, regional discussions achieved a consensus that was implemented by provincial statute. In the case of Haldimand and Norfolk, the unhappiness of the local municipalities with the Regional Municipality of Haldimand-Norfolk led to demands that the large upper-tier municipality be divided. However, the Ontario Government's decision to grant the request came with the condition that the local municipalities would be dissolved into new, smaller single-tier counties. While the motivation and process for forming these newly restructured municipalities varied, all were intended to better link governance with service-delivery.

Some urban-suburban-rural regions, like the Metropolitan Council in Minneapolis/St. Paul (Minnesota), have continued as a collection of associated local municipalities and counties for decades. In the Minnesota case, they use a regional quasi-government format, established by state law, which has specific responsibilities for region-wide functions, like water and sewage treatment, public transit, social housing, and regional land-use planning. They also have one of the few examples of voluntary intermunicipal tax-base sharing. More than 200 local municipalities within the metropolitan area voluntarily divert 40% of their growth in industrial and commercial property tax base to a pool to fund regional services. This example speaks to the effectiveness of forming regional governance mechanisms for specific services, while preserving the local accountability that comes from smaller municipal governance units.

Regional Districts in British Columbia are an example of federations of local municipalities operating for many decades without significant changes to the structure or the balance of powers between the local and regional levels. In the rest of Canada, the pattern has differed. While it may not be equivalent to the smaller population urban-rural regions in Alberta, the historical experience in Canada has been that two-tier regional government structures serve as an interim stage towards more complete municipal integration. Winnipeg, Ottawa, Gatineau, Hamilton, Montreal, Toronto, and Sudbury each saw federations of local municipalities give way to a single, metropolitan city government. In these cases, the upper-tier municipality was a full municipal government, with broader powers and a significant claim on municipal taxes. It is notable that this pattern has not been repeated west of Manitoba.

Regionalization is not always successful. Following the "Unicity" merger of the City of Winnipeg in 1972, the Rural Municipality of Headingley seceded in 1993, citing poor service delivery and unfair taxation. The Regional Municipality of

²⁶ Examples of American city/county mergers include Miami and Dade County, Nashville and Davidson County, Kansas City (Kansas) Wyandotte County, and Indianapolis and Marion County.

Haldimand-Norfolk, an Ontario regional municipality with a population over 100,000 and covering an area of nearly 3000 square kilometres, was dissolved into two, largely rural single-tier counties in 2000. Following the election of the Charest Government on an anti-amalgamation platform, 27 former municipalities were allowed to “de-merge” from the recently amalgamated “mega-city” of Montreal, and by 2006, 15 of the 27 returned to independent municipal status with somewhat modified powers along with the establishment of the overarching Montreal Metropolitan Community. As these examples suggest, in many cases what appears to be a rationalization of municipal government on paper leads to citizen discontent with a larger, more complex, and potentially isolating regional government structure.

Both the administrative and political difficulty of merging and the merits of creating a more responsive, adaptable, and efficient municipal government should be key factors related to municipal restructuring. As municipal restructuring is likely to impact political representation, community identity, and service delivery levels (often to the point that citizens demand a de-merger), it is generally viewed as a last resort when considering how to improve systems of municipal governance. In many cases, institutional change leads to demands for additional reform, and newly formed regional municipalities are ill-prepared for further adaptation.

An Alberta Perspective on Municipal Governance Evolution

To a large extent, the absence of regional governments in Alberta reflects the fact that Alberta MDs were established with a geographic footprint that is much larger than municipalities in most other jurisdictions.

In Alberta and elsewhere, special-purpose bodies with a regional or inter-municipal mandate have bridged the gaps in service created by municipal boundaries. As noted earlier, increasing regional and inter-municipal service-delivery pressures have contributed to an increase in the number of Regional Service Commissions in Alberta, which grew from 40 in 2001 to 70 in 2013. This is an indication that regional collaboration around specific services has, to this point, been effective in meeting regional needs while maintaining local municipal government structures.

In some cases, responsibility for one or more regional municipal services has been shifted by a local municipality to another municipality or special-purpose body that has the mandate and capacity to organize, finance and deliver that service. There have also been experiments with municipalities creating regional governance bodies to undertake land-use planning and/or regional service-delivery. When viewed by the municipal partners as fair to all sides and contributing to a better result than could be achieved alone, these cooperative arrangements can work well and sustain themselves for many years. They are very much in the tradition of rural cooperation throughout Alberta’s history. As such, the regional governance initiatives discussed in this section are largely absent from Alberta’s municipal history.

It is equally notable that, with few exceptions, Alberta – unlike many other parts of Canada – does not use differential urban-rural tax rates within the same municipality, nor has it embraced pooled taxable assessment arrangements, as is periodically seen in other jurisdictions, as a means to bridge the urban/rural divide. Rather local voluntary cost- and revenue-sharing agreements are the most common means of inter-municipal collaboration in Alberta.

The key consideration in examining local government reform options affecting rural Alberta is whether cooperation and collaboration can be sustained in the face of the pressures faced by municipalities and the communities that they serve. Where it works, collaboration can avoid the need for institutional changes (such as forced mergers, annexations, loss of tax base, etc.) while allowing municipalities to meet principles of good governance, maintain community identity, plan for the future, and view planning through a regional lens.

Beyond Alberta: Municipal Models from Elsewhere in North America

If local government restructuring is to be considered, it is important that it meet two basic tests. First, the model selected should be clearly superior to the existing arrangements, at least in the eyes of the majority and to each of the main communities affected. Second, the model selected should meet the needs of the communities that it is to serve.

This section applies a set of criteria to examine and analyze eight generic models of municipal government. The eight criteria used are finance, accountability, service delivery, administration, identity, collaboration, formation and external impacts (refer to Appendix B for a description of each criteria). There are doubtless additional factors that could be used, but the criteria selected provide a solid assessment of each model and basis for future decision-making. Alberta's two primary rural municipal models (the MD and specialized municipality) are examined using the same criteria in the following section.

Defining and Applying the Criteria

Judging the quality of various municipal structures is a matter of perspective. The following analyses and comparisons lend themselves to a range of conclusions, depending on the importance that individuals assign to each of the criteria. In addition, some individual criteria can prove more important in special circumstances, such as avoiding fiscal problems or achieving economies of scale in an expanding local economy. When applied against various municipal models, the criteria cannot identify what is "best," but may indicate whether the impact will be positive, and if so, to what degree.

The impacts of each model will likely differ in different regions of Alberta. For example, one may work well in a highly urbanized area but be ill-suited to a rural region. Another may be better applied to areas with a number of small urban municipalities, while the same may have no relevance to an area governed exclusively by an MD. Findings have been presented in a fashion that allows readers to apply their own values and priorities to the overall weighting of the factors. Although the evaluation of some models may change based on what type of municipal perspective is being used in the analysis, this study will use the perspective of Alberta's rural municipalities.

Assessing a number of models against eight criteria could be a complex and confusing undertaking. To simplify the process, a score-card that summarizes the evaluation of each model is included after each set of analysis. The criteria have been rated according to a five-level scale, based on the degree to which the model answers the following questions for each criterion: "What is best for the whole area, including the residents and businesses?" and "Does this model serve the interests of local residents?" In other words, the evaluations attempt to balance both local and regional considerations.

These assessments are based on degree, not a weighted value: "High" indicates full or excellent alignment with the best result for that criterion, "good" indicates significant alignment, "moderate" indicates substantial or net-positive alignment, "adequate" indicates relatively modest alignment, and "low" indicates minimal or negative alignment.

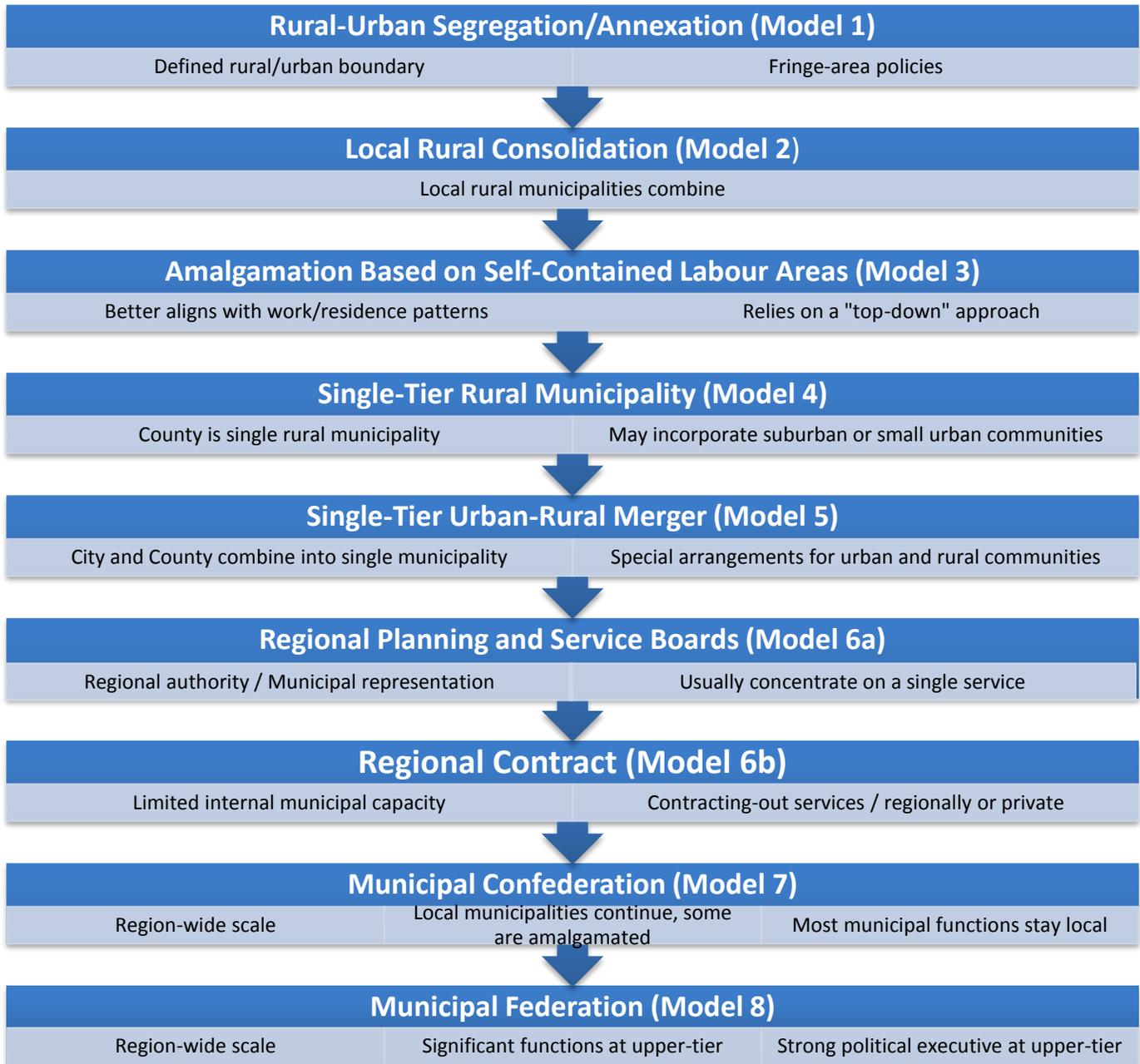
Eight Basic Models of Municipal Governance

In looking at municipal government structures, powers, fiscal and electoral arrangements across North America, their main common feature is variety. It can be difficult to determine which arrangements would best suit the needs of Alberta's rural and rural/urban communities. As such, the following section examines several broad types of municipal structures, describing the prominent features and providing examples of each (also refer to Appendix B).

The simplest way to think of the options available is to imagine the models along a continuum, progressing to ever-greater levels of municipal integration across a regional area; local autonomy and control are reduced in exchange for in greater municipal capacity and integration on a region-wide basis.

A brief overview of the seven models is provided in Figure A:

Figure A – Models of Municipal Governance



Model 1: Rural-Urban Segregation/Annexation

This model presumes that urban and rural municipalities are essentially different and that their responsibilities and geographic limits should aim to reinforce that distinction. Under this model, physical services are not readily or easily extended from an urban area into a rural area without annexation or collaboration between the two governments. Annexation occurs on terms that are either established by municipal legislation, arbitration, or negotiation. It also tends to favour joint or mutual planning policies that manage and restrict urban development in fringe urban areas or in ex-urban village/hamlet communities without full municipal services, or phase urban expansion coincident with annexation. Finally, to avoid conflicts in the delivery of municipal programs, which might in turn lead to annexation proposals, a region's rural or suburban municipalities may contract for services from the private sector, the non-profit sector, or other municipalities.

Model 1 Example: The City of Regina and the Rural Municipality of Sherwood No. 159

For decades, in the slow-growth environment that preceded the emergence of the petroleum and mineral extraction sectors, Saskatchewan's large cities grew incrementally and with a mutually understood approach to fringe development and ex-urban development with surrounding rural municipalities.

Historically in Saskatchewan, mutual planning or close collaboration resulted in lands on urban fringes being zoned to minimize demands for urban services and protect against land-use conflicts. It also helped to ensure that extensions of physical services were phased in an orderly fashion, including provision for periodic expansions and upgrading to treatment and distribution facilities.

With recent urbanization and economic growth and an emerging need for urban and rural municipalities to rely on their own fiscal resources, circumstances changed. Developers and employers began to make the case for more urban development in rural municipalities, both on fringes and in residential developments within rural municipalities. Where these developments were approved, taxable assessment and development-related revenues increased. Demands for more urban municipal services appeared soon after, including requests for extensions to city services and an emerging need to address development-related water quality issues. Rural municipalities were increasingly reluctant to consent to voluntary annexations and joint planning ventures proved unable to reconcile urban and rural municipal development objectives. Collaborative ventures proved harder to sustain due to the underlying tension of unresolved issues.

In the Regina-RM of Sherwood case, growth-related conflicts recently led to a demand from Regina for an extensive annexation to capture fringe development in the RM of Sherwood. In Saskatchewan, such a request initiates an annexation process that requires a decision by the provincial government. Initially, the province had urged the municipalities to embrace regional planning processes as an alternative to annexation. As tensions rose, some suggested that the conflict was resulting in lost job-creating investment in the fringe area and lack of cooperation between the municipalities on other issues.

In 2013, the municipalities used mediation to agree to continue the traditional model. The urban/rural boundary would be retained following an annexation of areas slated for growth that would depend on use of piped services from Regina. The municipalities established a series of inter-municipal committees to address planning, servicing, and economic development issues. The RM was compensated for loss of taxable assessment. In a departure from past practice, the RM would also be free to develop a new urban community (Wascana Village) within its boundaries, but only if it was supported by self-contained and self-financed urban infrastructure and services.

Model 1 Findings

A lack of cooperation and established collaborative processes made conflict inevitable in the Regina/Sherwood case. Public pressure on both sides led to a long-term agreement. Left unresolved, this kind of urban/rural boundary dispute risks undermining the relationship between the municipalities, often setting the stage for more drastic solutions imposed from external decision-makers.

As such, firm urban-rural boundaries only make sense – and can only be sustained – if they reflect a true demarcation of rural and urban interests. That also requires a recognition that municipal boundaries must change when circumstances change. Despite this, annexation is not the first resort. Before taking place, annexation should be seen by both sides as the correct solution based on principles established before the issue arises. The basis on which a municipal boundary might move (annexation trigger) and a mutually understood process for making a change in boundaries are vital preconditions.

Ideally, the annexation process should address issues such as the geographic area being annexed, timing, compensation, triggers and public consultation, as well as respect for land-use planning, environmental and economic development objectives. Ideally, the political and financial consequences for not working-out a business-like solution to annexation should be less attractive than a solution. Annexation settlements can address the short-term financial impacts of boundary adjustments. However, the long-term cost impact on the urban municipality and the potential loss of revenue for the rural municipality may lead to efforts to supplement the reduced rural assessment base with suburban assessment, which can lead to new annexation demands.

Although annexations are fairly common under this model, a relationship based on mutually understood terms and bolstered by a history of cooperation might be quite successful. However, there is often no ready forum for resolving emerging issues, and in any event, discussions are voluntary and disagreements cannot be brought to a political conclusion using this model. With a lack of structure or strong relationships between the municipalities, boundary adjustments can often be seen as an adversarial zero sum game, where one municipality benefits at the other’s expense. This can often prolong the process and consume additional time and resources.

Since boundary adjustments often only involve a relatively small section of land being transferred from one municipality to the other, the issue of preserving community identity is unlikely to arise.

Based on bilateral negotiations, this model is easy to administer, but it does not readily consider broader regional factors, nor enhance the capacity of municipalities to administer programs and services, especially if they are facing the pressures of either growth or economic decline.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	Good	Moderate	High	High	Moderate	Moderate	Adequate
Rating>								

Model 2: Local Rural Consolidation

In this model, smaller municipalities are merged into larger units of rural municipal government. If there is a county level of government, it typically contains separate small urban and rural municipalities within its boundaries. When those small municipalities merge, the county level of government continues with expanded responsibilities and typically some changes in local representation on its council. In some cases, the whole county area is comprised of local governments. In others, such as in California and Georgia, the county includes some local municipalities but also large unincorporated areas, both suburban and rural.

Model 2 Example: Rural Ontario

Several years ago in Ontario, over eight hundred local, largely rural municipalities and small urban municipalities in rural areas were compelled to negotiate with their neighbours using provincial criteria, failing which they risked triggering a statutorily imposed automatic review and arbitration process. By the end of the last major wave of municipal restructuring in 2001, Ontario was left with 444 municipalities. Many largely rural counties were comprised of many former small

municipalities. Where they did not move to become single-tier counties, the number of small municipalities within larger counties decreased significantly. For example, Bruce and Grey Counties each had roughly two dozen small municipalities within their boundaries prior to amalgamation. Post-amalgamation, this number was reduced to eight in each county.

Model 2 Findings

The ability of very small municipalities to provide the full range of municipal services is debatable, and often varies based on local circumstances. Unless they are the beneficiaries of a major non-residential taxpayer, small municipalities rely on a narrow range of taxable assessment, which affects their ability to employ professional staff, to manage their financial affairs and to operate municipal systems. While they may be able to compensate, in part, for lack of in-house resources through contracts or shared-service agreements, both depend on an ability to pay.

By combining resources with larger neighbouring municipalities, small municipalities can increase capacity and widen the scope of local planning while still maintaining a rural character. Amalgamating small urban or rural municipalities does little to address larger urban/rural issues, but does allow residents to draw from a broader range of community leaders, to sustain voluntary organizations and to provide political leadership to the community. Where local rural municipalities become part of a federated, two-tier municipal structure, it makes even more sense to create larger, stronger local municipalities to balance the upper-tier’s impact. However, amalgamations of rural municipalities with unequal tax bases may impact individual tax burdens as well as the range, level and cost of services, and political representation.

This model may have minimal relevance for Alberta, as Alberta’s MDs are geographically larger than the local rural municipalities in many other provinces. The main recommending feature of this model is combining small rural municipalities into larger, more sustainable rural units of local government. In Alberta, with the exception of villages and summer villages, MDs have largely achieved this objective. As a result, for the Alberta context, the focus should likely be on amalgamations that occur between smaller urban municipalities and surrounding MDs. While the creation of an urban/rural municipality is addressed in Model 4, the situation of villages being dissolved and absorbed by the MD deserves special attention.

It is not uncommon for dissolution of a village or small urban municipality to be motivated by an impending crisis, such as the fiscal impact of the loss of a major local employer and business taxpayer, or the failure of crucial infrastructure. A village may have a long-deferred need to upgrade its water and wastewater system, but have neither the financial resources nor the public works expertise to undertake the task.

To build new water and wastewater treatment facilities can cost millions and impose long-term debt obligations on a narrow tax base. Faced with this dilemma, the solution is often to resolve the problem by joining with the neighbouring MD. This allows the small urban municipality to take advantage of a larger tax and utility base, the greater debt capacity of a larger municipality, and more sophisticated municipal staff and expertise.

While this strategy may make sense to the dissolving urban municipality, it can be a challenging territorial addition and cost-burden for the taxpayers of the MD. Generally, the MD will recognize some benefits from expanding its tax base and addressing environmental risks to the area. The assets of the predecessor municipality will also vest in the MD (but, of course, so do its debts and obligations). However, as local residents debate the merit of amalgamation versus loss of municipal identity, it is not surprising that the MD may not be a champion of the dissolution.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Moderate	Good	Moderate	High	High	Adequate	Moderate	Adequate
Rating>								

Model 3: Amalgamation Based on Self-Contained Labour Areas

In a 2011 study in the Government of Canada's *Rural and Small Town Canada Analysis Bulletin*, Statistics Canada identified 349 self-contained labour areas (SLAs) throughout Canada. SLAs are "a territorial unit where most of the residents with jobs are working in the area and most of the jobs in the area are filled by workers residing in that area."²⁷ In other words, SLA boundaries are based on matching where the majority of residents live and work. SLAs are a similar concept to functional economic areas (FEAs), which are analyzed for Alberta and the other Prairie provinces in a 2002 study by Stabler and Olfert. FEAs are defined based on criteria such as live-work patterns and retail trade areas.²⁸ Stabler and Olfert identified ten FEAs in Alberta, all centered on major urban service centres. The vast majority of rural residents (94.1%) that worked within FEAs travelled from their rural residence to work within the urban service center of the FEA.

While the studies do not link SLAs or FEAs to any recommendations for municipal restructuring, the models provide a compelling tool for determining municipal boundaries. Ensuring that residents spend as much time as possible within their municipalities has the potential to better link municipal taxation efforts with those responsible for accessing municipal services and using municipal infrastructure. However, it also risks disrupting existing structures based on other community interactions and historical developments.

Model 3 Example: Manitoba Amalgamations

In 2012, the Government of Manitoba announced that municipalities in the province would be required to amalgamate in order to meet a previously imposed but unenforced minimum municipal population threshold of 1000. Ninety-nine of Manitoba's 197 municipalities had a population under 1000 when the amalgamation process began. The 99 municipalities included 52 rural municipalities, 24 towns and 18 villages.²⁹

The rationale for amalgamation was primarily based on the argument that larger municipalities would lead to reduced administration costs (according to the Government of Manitoba, one quarter of Manitoba's municipalities spent more than 20% of their budgets on administration costs), greater efficiencies in service delivery, a reduction in the duplication of municipal infrastructure, and improved provincial investment in regional infrastructure.³⁰

In order to facilitate amalgamation, the Government of Manitoba enlisted Brandon University's Rural Development Institute (RDI) to define indicators and criteria for strong rural municipalities in the province. RDI identified two proposed baseline thresholds for defining a "strong" municipality in Manitoba:

- A population threshold of 3000 or more residents in the jurisdiction (the government ultimately selected 1000)³¹
- A municipal taxable assessment threshold of \$130 million or more

RDI proposed that these criteria could be met in part by better aligning municipal boundaries with Manitoba's eighteen SLAs, along with other indicators such as the population and assessment thresholds. SLAs were used to guide the amalgamation recommendations because they are strong indicators of capacity and economic development as each contain a significant population, most of whom work in the SLA as well. It is important to note that alignment with SLAs was only part of the criteria recommended by RDI, and this alignment was typically not achieved because the size of SLAs

²⁷ Anne Munro, Alessandro Alasia and Ray D. Bollman, "Self-contained Labour Areas: A Proposed Delineation and Classification by Degree of Rurality," *Rural and Small Town Canada Analysis Bulletin* 8:8 (December 2011),

²⁸ Jack C. Stabler and M. Rose Olfert, *Functional Economic Areas of the Canadian Prairie Region*, April 2002, p. 83.

²⁹ Also included were four "Indian settlements" and one local government district.

³⁰ "Municipal Amalgamation," *Manitoba Municipal Government*, <http://www.gov.mb.ca/ia/muniamalg/index.html>.

³¹ The 1000 figure was based on a requirement established in <http://www.aamdc.com/advocacy/resolutions-resources/resolutions/details/1/729> 1997, but not previously enforced. RDI's 3000 figure was based on their definition of what constituted a "strong municipality." The fact that a population threshold much smaller than that proposed by RDI puts into question the extent to which the amalgamation process will meet the government's intended outcomes.

was too large, even as municipal sizes increased through amalgamations. Four amalgamations resulted in municipalities that exactly matched SLAs, while 36 amalgamations were within SLAs and nine involved municipalities from different SLAs. RDI argued that by reducing the number of municipalities and ideally increasing capacity and efficiency within each SLA, regional economic development would be strengthened.

In early 2015, the amalgamation process was completed. As this study is released, it is too early to evaluate the success of the process and whether it strengthened SLAs and reduced barriers within them. The wide lens that the province used to justify the mass amalgamations without considering local conditions resulted in considerable resistance from many municipal leaders. To this point, the province has provided limited financial assistance to the newly formed municipalities. While amalgamation based in part on SLAs may provide cost relief in the long-term (something that is not yet known), it has saddled newly formed municipalities with significant costs related to creating new administrative structures, development plans, strategies for equipment and facility use, and other locally-incurred challenges associated with creating a new municipality from the ground up.

It is too early to determine whether linking municipal boundaries more closely with SLAs will be effective in the long-term, but it has caused a good deal of short-term challenges for municipalities not prepared to govern at a regional level.

Model 3 Findings

While the success of amalgamating using SLAs in Manitoba is not yet known, its applicability in Alberta is limited, mainly because Alberta's MDs are already relatively well-aligned with the province's SLAs, as Alberta has 64 MDs compared to approximately 30 SLAs, as well as a vast amount of rural land governed as MDs which is not included in an SLA.³² Alberta's current MDs are also well aligned with the population and equalized assessment criteria identified by RDI. Only three of Alberta's 64 MDs have a population under 1000, in comparison to 52 rural municipalities in Manitoba prior to amalgamation. Similarly, only one MD in Alberta had a total equalized assessment below \$130 million in 2014. This disparity in the number of low-population and low-assessment rural municipalities, as well as the fact that most MDs are already similar in size to SLAs points to the challenges of generalizing criteria used in one jurisdiction to another. That being said, the majority of Alberta's villages fall beneath the thresholds used in Manitoba, which is not surprising as many have struggled to remain viable.

Despite the challenges of applying the Manitoba model to Alberta's rural municipalities, it does warrant further analysis. In ideal circumstances, the model will improve long-term municipal financial performance by facilitating the delivery of services on a regional level. This benefit may be less pronounced in jurisdictions like Alberta, where rural municipalities are relatively large and regional collaboration on service delivery already occurs fairly regularly.

A model that is aligned with residence and employment patterns would likely have a relatively high degree of accountability, as most citizens have both a personal and business interest in the municipality. However, the larger municipal sizes necessary to better align with SLAs would decrease the accessibility of municipal decision-makers.

Ideally, service levels would be improved in the long-term when aligning municipal boundaries with SLAs, but in Manitoba's case, this may be foreshadowed by an indefinite period of service instability as previously independent municipalities struggle to develop into a single cohesive unit responsible for providing services to a larger and more diverse population. Administration has the same potential to see a long-term improvement off-set by an unspecified period of turmoil as a much larger and more complex municipal unit is established.

³² SLAs are areas in which at least 75% of the population both live and work within the SLA boundaries. In isolated areas of Alberta, resident populations are very low and/or the primary employment option is in the natural resources sector where employees often commute from other areas of the province or country to work.

Proponents of aligning municipal boundaries with SLAs would likely argue that identity would be improved, as more of a resident’s activities would take place within municipal boundaries. Those municipal councillors and employees in Manitoba that had their community role terminated as a result of the amalgamation would likely disagree.

Improved alignment with SLAs would likely minimize collaboration beyond municipal boundaries, as the larger scale of municipal governments and a reduced need for residents to use the infrastructure of other municipalities may lead to SLA-aligned municipalities to be more inwardly focused. This, to some extent, is the point of aligning municipalities with SLAs, but could have unintended consequence of causing municipalities to overlook potentially effective regional partnerships because they are no longer urgently needed.

As was mentioned, the formation of SLA-aligned municipalities in the one existing example was a tense process. It must be emphasized that SLAs are based on a regional, top-down view, while municipalities function at the local level. As such, what may be logical on paper when examined from a provincial perspective can cause great concern and dysfunction in individual circumstances. This was the case in Manitoba, where the logic of the amalgamation process was clear to the provincial government and non-existent to many municipal officials. As such, the formation of any municipal boundary based on formulas or criteria that overlook local perspectives will inevitably be challenged.

Ideally, forming municipalities based on SLAs will have positive broad/external outcomes, as municipal boundaries will be aligned with economic activity and employment patterns. However, the reality can be much more complex. To some extent, merging municipalities based on regional commonalities overlooks local differences in the capacity and finances of the former municipalities. A municipality that has made sound financial decisions for many years could be arbitrarily merged with a municipality in poor financial condition simply due to SLA boundaries. Therefore tax rates, financial viability, and service levels could abruptly change for some residents due to circumstances beyond their control.

It is very important to remember that restructuring initiatives based on SLAs are largely untested, and the Manitoba situation is somewhat unique in this regard. In fact, according to some involved in the process, the only beneficiary to date has been the Government of Manitoba, who has been able to significantly reduce its administrative budget, as fewer municipalities is expected to reduce administrative responsibilities related to grant funding, financial monitoring, and other provincial duties related to municipalities. In the short-term, some municipalities have reported significant costs associated with complex tasks like administrative restructuring as well as more basic, but still important expenses such as replacing municipal signs.

In spite of the seeming short-term expense that the process has placed upon municipalities, the outcomes of this process are not yet known. However, there is no question that Manitoba’s municipal structure prior to amalgamation was much different from Alberta’s. Therefore it is doubtful that many of the issues that motivated the use of SLAs in Manitoba would apply in Alberta, and the geography of Alberta’s rural municipalities would make linking them to SLAs much more difficult than simply amalgamating the smaller rural municipalities in Manitoba.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Moderate	Good	Moderate	Moderate	Moderate	Moderate	Adequate	Moderate
Rating>								

Model 4: Single-Tier Rural Municipality

In this model, smaller municipalities within the surrounding rural municipality are absorbed into it, and it becomes the sole municipal government serving all of the communities within its boundaries. This may occur at one time, or it may be

an evolutionary process under which individual local municipalities are dissolved, one-by-one, over time. This typically occurs in areas with no major urban centres.

As noted above, a number of largely rural Ontario counties merged all of their local municipalities into a single-tier municipal structure. In Ontario, a single-tier municipality is one that does not form part of an upper-tier municipality for municipal purposes and assumes all municipal responsibilities set out under the *Municipal Act* and other relevant legislation. There are a few examples of this type of structure in Alberta.

Model 4 Example: Prince Edward County (Ontario)

In 1997, ten municipalities merged with the former Prince Edward County (which was an upper-tier municipality), to form the current municipality (population 25 258). Among those that merged were the Towns of Picton (population 3983) and Wellington (population 1800), along with several townships and villages. Currently, the County provides a range of services including water/wastewater, fire, waste management, road maintenance and construction, recreation, land use planning, and others.

Prior to amalgamating, the ten former municipalities operated independently from one another with the exception of specific services that were consolidated at the county level including major roads, land use planning (excluding local by-laws) and social services and housing. Additionally, several municipalities had developed local partnerships to share certain services, particularly recreation and infrastructure (water, wastewater and utilities).

Since amalgamation, the County has developed economic and land-use strategies that have produced a vibrant tourism sector, a revitalized agricultural economy based on wines and organic crops, and a proliferation of creative industries, including digital media and artists' studios. While there remain many challenges with the single-tier municipal government, the local communities and their volunteers have managed through amalgamation, worked together on strategic and economic fronts while retaining distinct local centres.

Despite such success, not all of the original objectives of amalgamation have been realized. Many believed that the amalgamation process would be complex but would be dealt with in a few years' time. However, the process labored for many years and the newly created wards were successful in retaining most of their previous employees, equipment and facilities including municipal properties, parks, libraries and halls. For example, the municipality continues to operate the same 270 facilities/properties that were inherited at the time of amalgamation. The tension between rural areas and the urban centres of Picton and Wellington continues today given a renewed vigor to consolidate development around existing serviced areas. Even with the creation of a single-tier municipality there remains resistance to adopting a more corporate approach to County services and facilities. However, the County is proceeding with restructuring efforts that were initiated in 2012. The first phase included down-sizing of the staff complement through early retirement initiatives, attrition and employee reassignment. The next steps include an assessment of all services, properties and equipment. It is anticipated that these changes will lead to greater efficiencies, improved service delivery, and better integration – objectives that were part of the original amalgamation process.

Model 4 Findings

The single-tier rural municipality, if it covers a sufficient geographic area and tax base, can sustain the rural character of communities while allowing for the resources, organizational capacity and scope to address a range of municipal issues, many of which are regional in character. Its unambiguous responsibility for all services, taxes and planning across the entire area makes it very transparent and accountable.

By amalgamating a large area into a single municipality, however, it is inevitable that some small urban communities will be included and expect representation from their municipal government. Maintaining high levels of service in urban areas without imposing costs on rural communities is also an ongoing challenge for single-tier rural municipalities.

Prince Edward County’s success shows that a large, single-tier rural municipality is in a strong position to serve and develop a diverse area. A rural municipality that can develop a broader profile and policy perspective with the provincial government also counterbalances urban municipalities that might see annexation of rural areas as contributing to a more robust city region. In many cases, the organizational challenge is to achieve integration of small urban municipalities to utilize the new municipality’s potential and overcome legacy and parochial practices of the smaller municipalities.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	High	Moderate	Good	Good	Moderate	Moderate	Moderate
Rating>								

Model 5: Single-Tier Urban-Rural Merger

Model 5 is a variant on model 4. However, in this case the county government absorbs not only the small municipalities within its boundaries, but also merges with the major urban municipalities within or on its boundaries. If the urban municipality is smaller in population than the county, the end result may be a single-tier county, with some special provisions for the urban centre(s) (more municipal services, but an urban-rate surcharge on municipal taxes). If the urban municipality is larger, the amalgamated municipality may emerge as an expanded town or city municipality, often adopting city municipal status under legislation.

Model 5 Example: U.S. City-County Mergers

Across the southern and mid-western United States, there is a history of large cities merging with the surrounding county. In some cases, they maintain separate roles for the city government and county government within the amalgamated government structure. These arrangements are most common in larger centres, although there are doubtless examples of the pattern in smaller centres as well.³³

In these mergers, the interests of rural communities are protected by a variety of means, including such measures as meeting separately as county council on rural issues, or by electing some representatives on a city/county-wide basis, but having other representatives elected from local rural and urban wards.

Model 5 Example: Municipality of Chatham-Kent and City of Kawartha Lakes (Ontario)

Another Ontario model meriting study is the “forced” mergers that produced several urban and rural municipal amalgamations within existing county boundaries. In 1998, an arbitrator imposed a single municipal government on the twenty-two municipalities within the County of Kent, including the City of Chatham and the Town of Wallaceburg. The resulting Municipality of Chatham-Kent had a turbulent early history, as it attempted to reconcile the interests of a large rural population with those of a small city affected by the downturn in Ontario manufacturing. However, it is now well established as a single-tier municipal government within the old county’s boundaries.

The Ontario County of Victoria had a similar experience when an arbitrator merged all of the largely rural local municipalities within its boundaries with the town of Lindsay, into the new City of Kawartha Lakes. In other situations elsewhere in Ontario, the neighbouring urban municipality was brought into the county structure to deal with the

³³ Indianapolis/Marion County; Miami/Dade County; Kansas City (KS) / Wyandotte County; and, Nashville/Davidson County are each examples of this structure. In Ontario, the merger of the County of Lambton and the City of Sarnia would be a Canadian variation. For a summary of American examples of City / County mergers, see: http://en.wikipedia.org/wiki/Consolidated_city-county; Sarnia and Lambton, see: <http://en.wikipedia.org/wiki/Sarnia#Government>

management of social services, social housing and other provincial programs downloaded as part of the restructuring process (the City of Owen Sound and Grey County, the City of Sarnia and Lambton County).

Model 5 Findings

The evaluation of an amalgamation of a city or major town with its rural neighbour(s) is dependent on specific circumstances. The merger of a large urban population with a small rural population produces a municipality in which representation-by-population elections risk submerging the interests of the rural communities. Where the populations are balanced, sustainable arrangements are more easily and effectively designed. Even where there is a population imbalance, there are precedents for workable arrangements to protect the interests of both urban and rural residents. Ironically, this often proves both easier and more necessary where the rural portion of the combined municipality covers a large and lightly populated area, with a number of small urban centres or resource communities within it.

The same patterns can be identified in the area of fiscal resources. An urban municipality may bring with it a solid tax base and a modest level of taxation, utility rates and capital debt. For its part, a rural municipality may have an industrial tax base that has allowed it to sustain municipal services that would otherwise be costly for a dispersed, small population. If it must share that tax base with its urban neighbour, the costs of municipal services may rise for rural taxpayers.

Urban/rural municipal structures have been successfully implemented in several North American jurisdictions. They pool professional resources and have considerable capacity in physical infrastructure and maintenance services in ways that rural municipalities would not be able to achieve without considerable cost.

However, they also may experience challenges in recognizing and promoting the interests of rural communities. If the urban portion of the combined municipality is small in relation to the rural population, the reverse is true: the urban or suburban community needs to have its needs met in a way that does not prejudice the community identity or fiscal position of rural residents. For example, provisions are often made to address the special needs of urban centres that no longer have municipal status. These may include secondary land-use plans, urban-services programs, urban-services tax rates, specific representation on the new municipal council, and municipal support for community organizations such as the volunteer fire department or the local non-profit curling rink.

In the case of urban tax rates or special-area rates, the full taxable assessment within municipal boundaries is pooled, but those in urban communities pay a higher rate. In other cases, the differential is applied in reverse, with the whole municipality paying essentially an urban tax rate, but rural residents paying a rate that is discounted by the cost of services that they do not receive, such as public transit and curbside solid-waste collection. A third variation within rural areas is a special area rate surcharge paid on top of the regular rural rate to fund a local water and sewer system, village sidewalks and street-lighting, or similar enhanced services.

Finally, the creation of a combined urban/rural municipality allows for the development of a common agenda in economic development, provincial-municipal relations, and in advocating for regional facilities and services. While inter-municipal concerns may be important locally, to the outside world – the investor, the province, or a major employer – a single municipal agenda can be a powerful message that the region can act decisively to achieve its goals.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	Good	Moderate	High	Moderate	Good	Adequate	Good
Rating>								

Model 6: Regional Board/Contract

In many cases, municipalities look to inter-municipal agreements with neighbours or participation in a regional authority that delivers one or more municipal services on their behalf. In some cases, the regional authority may levy an annual charge on the municipalities involved, or allocate a share of its costs on the basis of taxable assessment, level of activity, population or other measure. In other instances, the regional authority charges the consumer (water customer, transit rider, fire-call, fee-for-service charge, etc.), with or without some supplementary contribution by the municipality. This concept will be discussed as model 6a.

As an alternative to a regional authority, some municipalities enter into contractual agreements with private-sector service-providers or facility operators to provide services that the municipality on its own either will not or cannot deliver due to capacity, cost or scale. These contracts may involve multiple municipalities or services. In some instances, the provider may also be a non-profit entity or a municipal cooperative. This concept will be discussed as model 6b.

Model 6a: Regional Planning and Service Boards

Regional service commissions may be established under Alberta's *Municipal Government Act* by cooperating municipalities for the purpose of providing inter-municipal services. This permissive legislation is available, in varying forms, in many provinces.

Alberta's regional service commissions may have a broad scope but most concentrate on a single service. Water/wastewater and waste management are the most common services. In 2013 there were 70 regional service commissions, up from 40 in 2001. The commissions generally operate on a full-cost recovery basis.

One of the most interesting examples of the regional service delivery model is Alberta's own municipal joint venture that created Aquatera.³⁴ This non-profit municipally-owned organization provides water, wastewater and solid waste services for several municipalities in northwestern Alberta. The benefit to this model is that it allows regional scope and economies of scale in a field where expertise and avoiding the redundancy of capacity is very important. In Ontario, the provincial water agency (Ontario Clean Water Agency) provides water and wastewater services to local or regional communities, either as an owner of the utility, or as an operator under agreement with the municipality.

There are many Canadian examples of function-specific regional authorities (including Newfoundland and Labrador's 2012 creation of regional services boards with solid waste management responsibilities). However, the concept of a single non-government regional authority to administer a range of municipal and regional functions has frequently been suggested, but it is largely untried in Canada.

Accountability is a primary issue with non-government authorities providing municipal services: Are these regional bodies municipal or provincial? Are they politically accountable to municipal governments or to the province? Should their boards be elected representatives, or provincial/municipal citizen appointees? What claim should they have on local tax and fee revenues? How are their debt obligations to be approved and financed? Although regional service providers are a viable option in some cases, they do result in many questions and challenges related to accountability.

Model 6a Example: New Brunswick Regional Services Commissions

In 2012, the Government of New Brunswick has created a dozen regional services commissions, governed by boards comprised of local mayors and representatives of unincorporated communities. The Government of New Brunswick asserts that the commissions are not another level of municipal government, but rather administrative devices through

³⁴ Aquatera is a multi-purpose regional utility jointly owned by its three municipal shareholders: the City of Grande Prairie, the County of Grande Prairie and the Town of Sexsmith.

which regional services can be planned and delivered. The commissions have no taxing authority, but can invoice municipalities for the cost of mandated and contracted services. Mandated services include regional planning, planning for unincorporated rural areas, solid waste management, a policy-advisory role in policing, regional recreational and cultural infrastructure and programs, emergency management, and other functions by mutual agreement.

While the creation of a multi-purpose regional service board is an interesting development, it is certainly too early to decide if this model will be effective.

Model 6a Findings

Regional authorities are effective at providing the services for which they are responsible, whether under inter-municipal agreement or statutory mandate. However, they are not municipal governments. Despite some municipal appointments to their boards, regional authorities operate at a distance from municipal decision-makers, except for periodic budget review or contract renegotiation. Regional authorities typically offer municipal councils limited financial control and program influence. Expanding the scope of regional boards improves their capacity, but reduces the level of responsibility and control of municipal councils. With both positive and negative dimensions, the mandate of the regional board is essentially commercial service delivery, with no obligation to consider public policy issues affecting other areas of municipal activity.

Larger regional authorities can offer professional capacity, economies of scale, and consistency of service delivery. Some would argue that they forestall municipal restructuring by developing economies of scale while still allowing for municipal autonomy. However, if the number and cost of services provided by regional authorities grows to the point where they represent a significant portion of the municipal tax and utility bill, municipal leaders may look more closely at institutionalizing collaboration.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Moderate	Moderate	Good	High	Adequate	Adequate	Good	Adequate
Rating>								

Model 6b: Regional Contracting

As an alternative to a regional authority, some municipalities enter into contractual agreements with private-sector service-providers or facility operators to provide services that the municipality on its own either will not or cannot deliver. In some extreme cases, municipalities contract out virtually all local and regional services, and maintain only enough employees to handle the day to day operations of a municipal administration office. This strategy can be based on either the ideological concept that the private or non-profit sector is best positioned to deliver municipal services, or due to a lack of capacity in small municipalities.

Model 6b Example: California Contract Cities

The first “contract city” originated in Lakewood, California in 1954. Despite the term “city,” these are often small, previously unincorporated rural hamlets or suburban towns that may have few employees or municipally-owned assets. They typically contract for the full range of public services from neighbouring municipalities, or they hire private or non-profit organizations using a contract or franchise to provide municipal services. Approximately 70 California municipalities have adopted this model, with several million residents in total, including some well-known municipalities like Malibu. The model has recently become more popular in California, and spread to other states as well.

Under California legislation, contract cities directly provide few municipal services beyond administration, land-use planning and community relations. The balance of service delivery is provided through a series of contracts or by a

neighbouring municipality. An extreme non-California example of a contract city is the affluent Atlanta, Georgia suburb of Sandy Springs, which has a population of 100,000 and is served by a municipal staff of seven, excluding police and fire employees.

Model 6b Findings

The essential point about municipal service contracts is that “you get what you pay for.” Service contracts allow municipalities to project their activities beyond their own in-house resources while taking advantage of suppliers that have more capacity and expertise than is likely to be found in a typical municipality. As a rule, municipalities favour contracting when the estimated costs are lower than those the municipality would incur by providing the service through traditional means. To that extent, the financial impact of municipal contracts is positive.

However, once a contract is signed, there is generally no ability to reduce contract expenditures in response to other budgetary pressures, as is routinely done with in-house municipal services. The contracted price must be paid, as long as the contract is in force.

Price is not the only consideration with service-delivery contracts. Contracts can include requirements related to customer-service standards, contract transfers and investments during the contract period, system performance assurances, knowledge-transfer to municipal staff, and reporting obligations to the municipality, among others.

Since a municipality uses contracts to avoid investing in the development of capacity or capital projects, a municipality is also vulnerable to the prices and product offerings of suppliers. Competitive bidding will reduce the risk somewhat. The degree to which a municipality can control its costs or the quality, level and range of service-delivery depends on both the effectiveness of municipal procurement processes and contract management, and on the capacity of the local or regional market to reliably supply the necessary services. One of the advantages of contracting is the prospect that a supplier who serves many clients will invest in technology and capacity that no single municipality could reasonably expect to do.

Unless they are very complex or their monitoring is difficult, service contracts are easily administered by municipal staff. Of course, nothing in a service-contract approach will aid in dealing with inter-municipal policy issues or contribute to taking into consideration broader regional issues.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	Good	Good	High	Adequate	Adequate	Good	Adequate
Rating>								

Model 7: Municipal Confederation

In model 7 and model 8, municipal governance is divided into two tiers – one local and one regional. With this comes complexities relating to accountability, division of responsibilities, and political representation. The primary difference between model 7 and 8 is how responsibilities are distributed among the regional and local level of municipal government.

In the municipal confederation model (model 7), the upper-tier (regional) municipal government is relatively limited, mainly undertaking functions that the local municipalities either do not or cannot deliver or finance. To keep the upper-tier municipality from becoming more prominent and to avoid conflicts in the delivery of municipal programs, the lower-tier municipalities may contract for municipal services from a third party, such as the private sector or other municipalities (see model 6). In fact, the upper-tier government may not be a government at all, but rather one or more regional service

boards, delivering services (e.g., water treatment or solid waste disposal) using a utility format or under contract from the local municipalities, or through special provincial legislation.

Model 7 Example: Regional Districts (British Columbia)

In British Columbia, the regional district structure was created by provincial legislation in the 1960s and has grown to provide a platform for a variety of planning and servicing functions. The initial purpose of developing regional districts was to provide a general purpose local government in rural areas that were rapidly expanding due to resource development. Prior to this, many rural areas of British Columbia were unincorporated, administered by the provincial government, and received basic services through neighbouring municipalities or the private sector. In addition to accounting for the needs of unincorporated areas, provincial decision-makers envisioned regional districts as a solution to managing issues that transcended municipal boundaries, such as radically different levels of service in urban and rural areas and an inability to achieve economies of scale in delivering municipal services.

Broadly speaking, regional districts are confederations of local municipalities. In order to balance regional and local priorities, municipal councils appoint directors to the districts to represent their local perspectives, while residents of unincorporated areas directly elect a representative. The voting structure is designed to balance the need to represent by population while ensuring all communities have a voice in regional decision-making.

In this structure, there is great variety in determining services offered. Regional districts not only provide regional services, they often provide community-specific services, especially for rural communities that do not otherwise have the capacity to organize, finance and deliver a service required by the rural community. The decisions as to what services a regional district provides, as well as what municipalities within the district access the service, are made by the individual regional district, allowing for significant regional and local autonomy.

Model 7 Example: District Municipality of Muskoka (Ontario)

Due to northern Ontario's vast size, small population and resource economy, incorporated township municipalities and unorganized townships have historically been the pattern outside major towns. When the first generation of municipal reform occurred in Ontario in the 1970s, the rural towns and townships in the Muskoka district (on the southern edge of northern Ontario) were legislated as a two-tiered "district municipality." In this model, significant municipal functions (land-use planning, water/wastewater, solid waste, public health, main roads, social services, etc.) were vested in the upper-tier district council, with the balance of the responsibilities assigned to three towns and three townships. It closely modeled the regional municipality structures elsewhere in Ontario.

Over time, the dynamics within this municipal structure have produced two results. The quality of programs and infrastructure has improved dramatically from their previous condition. At the same time, as a result of cost and local control motivations, there are recurrent (occasionally successful) demands to shift upper-tier responsibilities, notably in the area of land-use planning, to the local level. One might argue that the District Municipality of Muskoka is an example of a municipal structure gradually migrating from Model 8 to Model 7.

Model 7 Findings

Since tension among municipal governments frequently revolves around meeting both local and regional demands, the use of a confederation model needs little explanation to most Canadians. Local issues are dealt with by one level of government, while broader issues requiring collective support are dealt with by another level.

The municipal confederation allows local municipalities to retain responsibility (both operational and fiscal) for most of their services. Because of this, the lower-tier governments need to have a fiscal base that is sufficient to fund local services, recognizing that some upper-tier services will share those same tax and utility revenues.

However, local municipalities face two key issues:

1. The confederation of lower-tier municipalities funds upper-tier functions from the entire tax base, so the resources of the whole region can be used for regional services. If a lower-tier municipality happens to be the location of a major regional employer, they no longer enjoy the full benefit of that tax base, as at least a portion is distributed regionally.
2. Organizing services regionally is sometimes more efficient and equitable. Even within rural areas, as the B.C. regional district model demonstrates, it is possible for the upper-tier government to organize and deliver local services to some municipalities or municipally unorganized communities in a manner that they could not hope to do on their own. This is a case of the confederation using the upper-tier to improve service levels in low capacity areas of the region.

Even with a relatively weak upper-tier government, municipal leaders have a forum to discuss and address common issues. The forum means that regional and long-term priorities can be set and acted upon without the delays and inaction that can be a feature of informal or ad hoc intermunicipal collaboration.

Criteria:	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	Moderate	High	High	Moderate	Good	Adequate	Good
Rating>								

Model 8: Municipal Federation

In model 8, the upper-tier municipality is responsible for a wide range of costly municipal functions and infrastructure, as well as for setting land use planning policies and infrastructure plans that local municipalities must observe. The role of the local municipality may be reduced to providing essentially local services, such as community recreation, street-lighting, agricultural drainage, and tax collection, as well as providing input on local community planning and regulatory issues.

Typically, the formation of municipal federations involves direction from the provincial/state level of government, as municipalities are often reluctant to surrender so many of their responsibilities to an upper tier. As such, the municipal federation model is, in many cases, a temporary step towards the development of a single regional government.

Model 8 Example: Regional Municipalities (Ontario)

Ontario's first-generation of municipal restructuring in the early 1970s produced a dozen new regional municipalities, following the earlier format set by a federal Metro Toronto. These new municipalities were comprised of communities facing rapid urbanization and needing planned implementation and financing of major civic infrastructure. The pattern was to combine one or more predecessor counties and all of the urban municipalities within them into a municipal federation. Most of the significant urban planning and infrastructure responsibilities, as well as debt financing and responsibility for a range of human services programs, were assigned to the regional municipality. The previously large numbers of lower-tier municipalities were combined into a small number of urban and rural municipalities, which retained responsibility for local services. In several cases, even some of these local responsibilities were gradually transferred to the upper-tier, including water-billing and local water and sewage services, solid waste collection and recycling, public transit, social housing, and others.

The regional municipalities were regularly criticized for cost and remoteness (despite the fact that their regional councils and most of regional chairs and mayors are either directly or indirectly elected by municipal voters). Despite this, their achievements were notable: the major civic infrastructure and human services networks of the Greater Toronto and Hamilton region, the Kitchener-Waterloo-Cambridge region, and the Ottawa region were largely built by their corresponding regional municipalities.

Over time, the bias inherent in the allocation of municipal services gave rise to a demand for less government, which often led to the elimination of one tier of municipal government. In the case of the Regional Municipality of Haldimand-Norfolk,

the upper-tier was dissolved into two single-tier counties. For the most part, however, the regional municipality evolved into a new single-tier city: Greater Sudbury, Toronto, Ottawa, and Hamilton. In other areas, after considerable local and provincial debate in the early part of this century, regional municipalities have continued as two-tier municipalities (York, Durham, Waterloo, and Niagara).

Model 8 Findings

With many significant municipal functions being provided by the upper-tier municipality, it is perhaps inevitable that local residents and businesses feel somewhat remote from their municipal government. They may also feel that the local, lower-tier municipal government is not as influential in addressing their service issues.

On occasion, the upper-tier/lower-tier dynamic can also lead to a political contest of wills between the mayors of lower-tier municipalities and the political executive and senior staff at the upper-tier municipal government.

The ability of the upper-tier to fund expensive municipal services across a broader tax and utility base can create an incentive to transfer as many functions and services to the upper-tier as possible, in part to create more fiscal capacity for the lower tier municipality. Over time, however, this pattern further diminishes the role of the lower-tier municipality.

Similarly, if most service responsibilities are at the upper-tier, but development approval and planning decisions are local, there may be fewer restraints on lower-tier municipalities approving development. The logic is that the lower-tier municipality will receive part of the development-related fees and new taxes, but the upper-tier will be responsible for building, maintaining and refurbishing the necessary physical infrastructure.

The creation of a strong upper-tier municipal government opens the door to much more attention to regional issues, along with the capacity and resources to pursue them. That can prove to be an advantage in areas like tourism, economic development, environmental preservation, and social planning. It may also strengthen the region’s voice in discussions with provincial and federal officials, as well as business leaders.

Criteria:	Finances	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment>	Good	Adequate	High	High	Adequate	Good	Adequate	Good
Rating>								

Assessment of Alberta Municipal Governance Models

In this section, the eight criteria used to examine the generic models of municipal government in the preceding section have been applied to the current Alberta models of rural or rural-urban government through an evaluation of the municipal district (MD) and specialized municipality models.

Model 9: Municipal District Model

Finance

Municipal governments rely heavily upon property taxes, and Alberta's MDs are no exception. Property assessments typically approximate market value according to provincial criteria, although there are some exceptions for agricultural property, which is assessed at a regulated rate. Special types of property (particularly linear property such as pipelines and telecommunications equipment) are assessed by the province, while residential property, agricultural property, and machinery and equipment (M&E) property is assessed by the municipality. Property taxes can be levied by municipalities on all types of property within their jurisdiction for municipal purposes at locally determined rates. The MGA exempts certain properties that provide or advance a public benefit from being assessed.³⁵

Due to patterns of natural resource development in Alberta, there is an unevenness in the distribution of industrial property that results in some municipalities having a large non-residential tax base. The majority of industrial development takes place in rural areas of the province, and MDs in some regions have considerably more industrial tax revenue than those in other areas of the province. Municipalities that host industrial development receive the associated property taxes due to the strain that such development places on municipal infrastructure and its impact on municipal land use planning. As a result, some commentators in Alberta claim that municipalities with a significant industrial tax base enjoy a fiscal advantage over those without one – claims that are disputed.³⁶ Municipalities with responsibilities for an extensive network of roads in areas of heavy industrial activity rightly point to the rapid deterioration in road surfaces and roadbeds that arises from heavy truck activity. There are also higher costs associated with providing other types of municipal services to remote work camps and industrial facilities.

In addition to the role of industrial taxation in Alberta's rural municipal finances, there are a number of additional attributes worth noting:

- **Fairness:** Local taxpayers obtain the benefits of the services provided by their elected municipal government and pay for that through locally determined property taxes and charges. Where benefits may spill over between municipalities or where cost savings may be realized through inter-municipal cooperation, voluntary cost sharing arrangements are possible and widely utilized – again demonstrating a good relationship between benefits received and costs paid.
- **Local determination:** Municipal services and the allocation of costs are a municipal matter. Local preferences are followed and not confused with or subsumed by the voices of others not directly involved.
- **Transparency:** Decision-making systems and cost allocation mechanisms are clear. One municipal government is responsible for municipal services. As such, citizens understands the link between tax

³⁵ See *Property Tax Exemptions in Alberta: A Guide* for a list of properties exempt from municipal property taxes. http://www.municipalaffairs.alberta.ca/documents/as/pte_guide_2005.pdf

³⁶ See AAMDC's *Apples to Apples*. The province did have a significant equalization system to support disadvantaged municipalities but it disappeared during the cutbacks of the 1990s.

contributions and services received, as well as who is accountable at the municipal level. Two-tiered municipal structures sacrifice this clarity, although there may be other benefits.

- **Tax base variation:** A potential limitation is that where substantial differences in the industrial property tax share of municipal tax bases exist, there can be “tax envy” if those differences result in fiscal advantages (low tax burdens) for the residents of the municipality hosting industrial development. For such envy to be legitimate, however, it needs to be demonstrated that a fiscal advantage exists once both tax and expenditure responsibilities are considered. Tax envy may encourage amalgamations/dissolution. It is worth noting that tax envy can occur in any municipal system, as some form of municipal boundary is inevitable.

Governance and Accountability

Municipalities in Alberta are governed by councils made up of the chief elected officer (mayor or reeve) and councillors. The number of councillors varies depending upon the type and size of the municipality. Similarly, the method of electing the chief elected officer can vary (at large or by council members) and whether councillors are elected from wards or at large, although wards are standard in rural municipalities. Each municipality is required to have a chief administrative officer to oversee administrative duties.

The public engages in political decision making between elections. Council meetings are public with limited exceptions. Councils may be petitioned and plebiscites required. It is common that councils seek public input through hearings and consultations. Also, a broad range of interest groups approach councils to present their concerns. As rural municipalities typically have relatively low populations, direct dialogues between citizens and councils are fairly common.

The absence of a two-tier system in Alberta means that residents typically have a strong understanding of how municipal decisions are made and what level of municipal government provides municipal services.

Service Delivery

Due to large areas and sprawling populations, both residential property tax rates and service levels are usually lower in MDs than in urban municipalities. As with any municipal system, there are inevitable complaints reflecting different citizen priorities (e.g., better snow removal vs. higher taxes) but there is also little evidence of widespread dissatisfaction among Alberta's municipal citizenry. Voter/taxpayer scrutiny of property taxes and charges promote attention to delivering services giving good value for money. Separation of legislative and administrative functions reduces political interference. There is typically a willingness to explore evidence-supported alternative delivery models, like partnerships with the private sector. Collaboration with other municipalities in service commissions and other shared cost arrangements suggest that there is often an active pursuit of value for money.³⁷

Administration

Separation of legislative and administrative branches generally reflects best practice. Administrative response will follow the directives/approach/attitudes of the council. A good administration will make council aware of options or opportunities that best serve the needs of citizens. Small municipalities, especially, may have problems achieving a sufficient level of staffing. This problem should force an evaluation of the trade-offs involved in contracting out (public or private alternatives), entering into collaborative intermunicipal agreements, or merging with a neighbouring municipality. Rural municipalities are often impacted by capacity challenges in that they commonly absorb dissolving municipalities, along with their infrastructure deficits.

³⁷ Since catalogued in 2004, there has been a considerable increase in the use of the shared-services model. Hepburn, LeSage and McMillan (2004).

Local Identity

Separated independent municipalities provide the greatest opportunity for the realization of local identity. The fact that amalgamation of municipalities is infrequent and typically involves the dissolution of small villages suggests that the sacrifice of local identity in these villages is likely secondary to lower cost services, better administration, and improved infrastructure.

Often, dissolutions involve efforts by the MD to recognize, preserve and promote the identity of the dissolved municipality. Community and social interactions, events, and organizations may be more important to local identity than municipal structure. In the area of service-delivery, it is important for the municipality to support voluntarism in connection with services such as community recreation, agriculture and forestry, and volunteer fire-suppression which also helps to build a sense of community.

Rural and Urban Collaboration

Differing views on land-use planning among rural and urban municipalities represent an area for potential conflict. However, cooperation is common, in part to avoid annexation pressures. There is frequent cooperation and collaboration through voluntary participation in regional service commissions and joint cost sharing arrangements. This has provided the basis for a variety of services as well as for representation on governing bodies, although special-purpose bodies are more remote from regular municipal decision-making.

Bilateral and/or service-specific collaborative arrangements do not always consider broader community impacts. If the right balance of representation is struck, making regional planning and service decisions in a single forum produces better results than bilateral negotiations leading to a regional services board and delegated decision-making.

Formation

Perhaps, in part, to forestall annexation and other municipal restructuring disputes, the province encourages voluntary collaboration and/or cost sharing arrangements. Voluntary agreements tend to be easier to establish while regional service commissions are somewhat more complex. Amalgamations and dissolutions that are subject to provincial review (Municipal Sustainability Strategy and viability reviews) are more complicated and typically requires agreement of the absorbing government (or incentive of the province to get that agreement). It is noted that a number of village dissolutions have occurred and even the conversion of a town to a hamlet (Lac La Biche) has taken place, effectively making the county a specialized municipality in all but name.

Broad/External Factors

According to the *Municipal Government Act*, urban service areas can be created in order to establish specialized municipalities. With legislative changes, there would be potential for all MDs to distinguish areas receiving different services and perhaps charge different taxes. However, the effectiveness of specialized municipalities in some areas of the province is largely untested, and may be limited due to local conditions (limited tax base, multiple urban municipalities within a rural municipality).

Improvement levies are a popular method of financing improvements in specific areas of a municipality, and provide a method of delivering and charging for different services even if no separate service area is distinguished. County services such as water and sewerage can be provided on a cost recovery basis and are another way of providing different services and charges to different parts of the municipality (e.g., hamlets). Regional service commissions are also a means of providing services that could differ within a municipality but these must involve more than one municipal government so are not as flexible for dealing with sub-units/areas within a municipality. Currently, cost sharing and joint funding of municipal infrastructure also help to overcome fiscal or capacity inequalities between neighbouring municipalities.

Criteria	Finance	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment	Good	High	Good	Good	Good	Moderate	Moderate	Good
Rating								

Model 10: Specialized Municipality

The specialized municipality class is included in the MGA to accommodate situations where existing municipal classes do not meet the requirements of the area. To some degree the structure of specialized municipalities can be customized to meet the distinct needs of the municipality at the discretion of the Minister of Municipal Affairs, and therefore the characteristics and powers of specialized municipalities vary significantly. The first specialized municipalities formed were the Regional Municipality of Wood Buffalo (1995) and Strathcona County (1996). The MD of Mackenzie (now known as Mackenzie County) was designated a specialized municipality in 1999, the Municipality of Jasper in 2001, and the Municipality of Crowsnest Pass in 2008. Strathcona County, the home of Sherwood Park and adjacent to Edmonton, was formed in order to more widely disperse revenues from the petroleum processing facilities located within the County’s boundaries. The RM of Wood Buffalo, which includes the urban service area of Fort McMurray, was created to meet the need of a booming resource development area by allowing for resource revenues accrued in the RM’s rural areas to be used for urban development. Mackenzie County was formed in part to address governance challenges experienced by the previous municipalities that now form it. The Municipality of Jasper was established to serve the urbanized area of Jasper National Park. The Municipality of Crowsnest Pass amalgamated several towns and villages with a former improvement district in a relatively small area.

It is important to note that while the majority of this section focuses on the RM of Wood Buffalo and Strathcona County (because they were formed mainly to merge rural and urban municipalities), the Minister of Municipal Affairs can provide specialized municipalities with a number of different powers, responsibilities, and limitations depending on the character of the area and the reason for conferring specialized status. For example, the Municipality of Crowsnest Pass does not include separate urban and rural service areas, while the RM of Wood Buffalo does. In the remainder of this section, “specialized municipalities” will refer to Strathcona County and the RM of Wood Buffalo unless otherwise noted.

In addition, both the RM of Wood Buffalo and Strathcona County are somewhat unique in Alberta, as they host significant industrial activity related to natural resource extraction and development. As such, each has access to industrial taxation revenues that far exceed most municipalities in Alberta. For this reason, it is important to note that the success of the specialized municipality model in these two cases can be at least partially attributed to unique economic circumstances, and may not be repeatable in other areas of the province. As with any of the models discussed in this study, local circumstances play a major role in their effectiveness. Specialized municipalities are largely untested in most areas of Alberta, and, as such, drawing broad conclusions based on the RM of Wood Buffalo and Strathcona County is not recommended.

Finance

Specialized municipalities utilize the standard revenue instruments used by other municipalities in Alberta. In addition, Strathcona County and the RM of Wood Buffalo have designated urban and rural service areas. (Lac La Biche, although not officially a specialized municipality, also denotes urban and rural service areas through special provincial legislation). These separate service areas allow for the municipality to levy different tax rates and provide different service levels for residents living in each service area. The RM of Wood Buffalo imposes different tax rates on its rural and urban service areas and as well as within urban service areas. While this provides specialized municipalities with financial flexibility not

found in other municipalities, it also risks harming industrial development. During MGA review discussions in late 2014 and early 2015, industry representatives argued that allowing for different taxation levels in urban and rural areas of the municipality (essentially a “split mill rate”) may lead to a perception that certain types of development (usually those linked to resource development in rural areas) are being unfairly taxed at rates significantly higher than businesses in urban areas of the specialized municipality, and may ultimately harm industrial development in the municipality. If used fairly, a split mill rate has the potential to allow specialized municipalities to account for both urban and rural service needs, but if mill rates in some areas of the municipality are not directly linked to the costs of providing services, tension between the municipality and industry could result.

In some cases, the specialized municipality model may help to overcome tax envy that is sometimes present when cost-sharing agreements cannot be negotiated between rural and urban municipalities. However, this model has not been tested in situations where multiple urban centres are located within an MD. In these cases, negotiations related to fairly distributing revenue among several municipalities of varying sizes and capacities may be quite challenging.

Governance and Accountability

Specialized municipalities have legislative and administrative structures parallel to other Alberta municipalities. The potential complications inherent to this model relate to the need to accommodate the interests of residents in rural and urban areas. Both the RM of Wood Buffalo and Strathcona County have attempted to address representation challenges by balancing a representation by population approach to councillor elections with the need to ensure that rural areas, which contain a minority of the population but a majority of the land mass in each municipality, have a meaningful level of representation at the council table.

The RM of Wood Buffalo is divided into four wards. Ward 1, which comprises Ft. McMurray, contains 73,000 of the municipality’s 116,400 residents and has six councillors, while ward 2 has two councillors, and the other two wards have one councillor each. There are about 4200 residents in the rural areas and seven hamlets (the rural service area). The 73,000 make up the urban service area. In addition, about 39,000 people reside in work camps on project sites within the municipality. Although they typically are unable to vote in municipal elections, the need to service the isolated camps leads to unique challenges for the municipality. The mayor, the ninth member of council, is elected by the councillors.

Strathcona County also has eight councillors and a mayor. The councillors each represent one ward and the mayor is elected at-large. Each ward consists of comparable numbers of eligible voters (ranging from 6144 to 9750 in the 2013 election). Five of the wards are in the urban service area of Sherwood Park and three are rural. The urban service area is treated as a city for the purposes of provincial grants and programs.

In cases where a large number of municipalities become involved in the formation of a single specialized municipality, designing an equitable system of political representation will become increasingly difficult, particularly when both urban and rural areas are involved.

Service Delivery

In specialized municipalities, service delivery can be challenging as service levels expected in urban areas often vary significantly from sparsely populated rural areas. As a result, councils may face difficult decisions as to where they “draw the line” in providing urban versus rural levels of service. Providing two different service levels also may require increased administrative capacity, as multiple plans for infrastructure maintenance and service delivery enhancement priorities may need to be developed to correspond to urban and rural areas of the municipality.

In cases where urban areas within a specialized municipality are relatively small and have a limited assessment base, providing a high level of service may be challenging and rely mainly on assessment from rural areas. As such, it is important to consider that the success of both the RM of Wood Buffalo and Strathcona County is likely linked to their high levels of industrial taxation revenue. Using rural assessment bases to fund urban services in areas of the province with

weaker industrial assessment bases would likely be less effective. This highlights the importance of considering that any municipal model is highly context specific, and generalizing local success to an entire province is a dangerous assumption.

Administration

A common challenge in MDs and small urban municipalities is attracting and retaining qualified administrative staff. A specialized municipality may be able to better attract employees by presenting a higher-capacity work environment and a broader range of issues to address. On the other hand, the need to accommodate both urban and rural expectations may lead to a greater administrative burden and the need for more capacity among staff, which may lead to higher administrative costs.

Local Identity

As specialized municipalities typically encompass both urban and rural areas, recognizing the distinct needs and identities of residents may be a challenge. On the other hand, existing specialized municipalities tend to “straddle the line” between urban and rural, and are active in both the Alberta Association of Municipal Districts and Counties and the Alberta Urban Municipalities Association. This exemplifies their ability to advocate on behalf of both urban and rural residents.

Another consideration related to identity is the need to consolidate the operations of several municipalities into a single centralized space. As residents see previous administrative and operations infrastructure closed or relocated, their relationship with the municipality may weaken. This may also lead to tension among municipal employees and councillors who may see their role eliminated as previously separate municipalities consolidate, or may find themselves having to represent a much more diverse, widespread and unfamiliar area. This may be even pronounced in Alberta, as the large size of MDs may require them to be divided or dismantled, rather than simply merged with other municipalities.

Rural and Urban Collaboration

Collaborating within a specialized municipality is typically relatively easy, as the administrative barriers between rural and urban are non-existent. However, as both Strathcona County and the RM of Wood Buffalo demonstrate, the population imbalance between urban and rural areas of specialized municipalities often necessitates unique electoral representation and wards with imbalanced populations. There is always a risk that the imbalance may lead to rural voters feeling underrepresented due to their minority population status, or urban voters feeling that their large proportion of the population should be reflected by a proportional system of representation.

Collaboration with bordering municipalities, both urban and rural, may become strained due to differing levels of capacity or a perception that the neighbouring municipality was excluded from the formation of the specialized municipality.

Formation

The broad definition of specialized municipality in the MGA allows the minister the ability to form one for any reason that she or he deems necessary, as long as existing municipal structures do not meet the area’s needs. Despite this, municipalities do not possess the local autonomy to declare themselves a specialized municipality, and as such, the authority for formation is ultimately beyond the municipal level of government.

Additionally, the effectiveness of specialized municipalities to address common municipal challenges in Alberta (such as tax envy or the inability of small urban municipalities to remain viable) is unknown, as the specialized municipality structure has been minimally tested in circumstances common to Alberta, such as when multiple small urban municipalities are located within the boundaries of a rural municipality. The formation of a specialized municipality in this circumstance will be quite complex, both administratively and politically. Similarly, specialized municipalities have been minimally tested in areas of the province that do not benefit from high levels of industrial assessment, which leads to questions as to the purposes the model serves beyond the redistribution of revenues.

Additionally, due to the large size of Alberta’s rural municipalities (relative to similar jurisdictions such as Manitoba and Saskatchewan) re-aligning them in order to better match residence and employment patterns (a concept similar to amalgamation based on SLAs discussed in model 3) would likely be much more complex than simply merging several small municipalities. This would likely have a much greater impact on local identity and representation than that found in a relatively straightforward merging process, as former municipalities may completely lose legacy practices and structures.

Broad/External Impacts

Considering the external impacts of a specialized municipality is extremely challenging, and typically is based on local conditions. For example, the formation of the RM of Wood Buffalo facilitated a logical redistribution of revenue from extremely sparsely populated rural areas with significant industrial development into what is now the Urban Service Area of Fort McMurray; essentially a regional hub and service center for the rapidly growing resource economy of northeastern Alberta. In other areas, however, the formation of a specialized municipality may have serious impacts on bordering rural and urban municipalities, as it may impact pre-existing cost-sharing and service-delivery agreements, and may lead to an imbalance of political power and administrative capacity within a region. In short, the external impacts of specialized municipalities are difficult to measure due to the small sample size, but there is no question that in some cases, their formation may have a ripple effect throughout a region.

Criteria	Finances	Accountability	Services	Administration	Identity	Collaboration	Formation	External
Alignment	Good	Good	Moderate	Good	Good	Good	Moderate	Moderate
Rating								

Conclusions and Findings

This study was not asked to determine the “best” municipal government structure for Alberta. In fact, no such authoritative recommendation is possible, given the wide variation in local and regional circumstances. Following review and analysis, however, it is possible to arrive at a number of conclusions and findings related to Alberta’s current municipal structure, the validity of the various alternative models discussed in the study, and broad observations on municipal restructuring, including key factors to consider.

Observations on Alberta’s Current Municipal Structure

1. The two main models of municipal government in rural Alberta – the MD and the specialized municipality – performed well against the eight criteria. Any move to alter the existing arrangements would need to demonstrate net benefits to all concerned. While each of the alternative models has positive aspects, none are clearly superior to the existing arrangements.
2. Where they work, practical measures and collaborative efforts can avoid unwanted institutional change. There are proven examples of working options that could be considered. In particular, every MD should promote and participate in a forum that allows the municipalities in a region to address issues of common concern. The daily volume of interactions between urban and rural municipalities and their residents suggests that there should always be a regional forum of some kind involving MDs and their urban municipal neighbours. This forum would be a vehicle for dealing with region-wide issues, like economic development, land-use and environmental planning, and facilities, programs and infrastructure serving the whole region.
3. Challenges to Alberta’s existing municipal structures lie in two areas. First, relations with neighbouring municipalities may favour bilateral negotiations between municipalities, rather than mutual problem-solving and resource-sharing as a regional community. Second, there are few incentives for municipalities to plan for or consider issues beyond their municipal borders, even in key areas like economic development or environmental planning.
4. The key consideration in examining local government reform options affecting rural Alberta is whether inter-municipal collaboration can be sustained in the face of the pressures faced by Alberta municipalities and the communities that they serve.

Observations on the Alternative Models Presented

5. Rural-urban segregation/annexation (model 1) only make sense as a model – and can only be sustained – if it reflects a true demarcation of rural and urban municipal interests. That also requires a recognition that municipal boundaries are not immutable and must change when circumstances change. But annexation (or amalgamation) is not a first resort. Efforts to plan jointly and to negotiate equitable cost-sharing on inter-municipal services should be a feature of any ongoing urban-rural municipal relationship.
6. Reorganizing municipalities based on self-contained labour areas (model 3) is only a viable option when the involved municipalities support the realignment. By their nature, SLAs take a high-level, regional view that tends to disregard local perspectives. Additionally, this type of reorganization is unlikely to be effective in Alberta, as the size of Alberta’s MDs are already much more aligned with, or in some cases even larger, than the province’s SLAs. As such, it would not be a simple case of amalgamating a number of small municipalities, but may require fundamental reorganization.
7. From among the generic models of municipal government described in this report, one might argue that model 4 (single-tier rural municipality) is very close to the structure of many existing MDs or, in other cases, the specialized municipality model.
8. If change is warranted, whether for local or regional considerations (e.g., to accommodate urbanization pressures), model 6 (regional board/contract) and model 7 (municipal confederation) appear to have much to recommend them. They may be marginally better than the other models, depending on the local and regional circumstances.

9. Depending on the nature of the arrangements negotiated, model 6 (regional board/contract) allows regional scope, control over the level of services, system redundancy/depth, and sharing of costs on terms that individual municipalities negotiate to their satisfaction, without losing ultimate control.
10. Model 7 (municipal confederation) allows local municipalities, including county municipalities, to pool tax resources to fund several functions and services where their scope or cost argue for a regional approach. At the same time, this model retains most of the tax base and political decision-making authority at the local level. It also allows smaller and more remote communities to choose (in the case of unincorporated communities) to be served from the upper-tier, rather than incurring the costs associated with running a local municipality on a modest tax base (a choice that is also available in several other governance models). Similarly, a smaller or space-extensive lower-tier municipality may arrange for local municipal services to be provided to the local municipality by the upper-tier municipality.

Observations on Municipal Government Restructuring

11. If municipal restructuring is to be seriously considered, it is important that it meet two basic tests. First, the model selected should be clearly superior to the existing arrangements, at least in the eyes of the majority. Second, the model selected should be the most appropriate, given the needs of the communities that it is to serve.
12. There are a number of measures that can protect the interests of the local community, including the cost and level of local services, without institutionalizing barriers to area-wide political decision-making, service-delivery and social integration.
13. Some sustainable level of community identity will survive any type of municipal structural change based on the vibrancy of community-service organizations and similar local groups. It is not necessary to preserve local community identity using municipal structure. It is necessary, however, to preserve voluntarism in the local community, irrespective of the municipal structure or model that is adopted.
14. There is merit in ensuring that both urban and rural residents (and their communities) feel adequately represented in their municipal government, even if the arrangements do not reflect pure representation-by-population. The arrangements should, however, not impede municipal integration in areas like service-delivery, corporate governance and efficient management.
15. Where collaborative arrangements do fail, there are a variety of models from which to choose. Each model of municipal government has its positive aspects and its drawbacks. Most of those options have the potential to preserve the best of local communities, responsive governance, and equitable taxation.
16. As part of any municipal reform, it is necessary to find effective ways to manage local community planning issues. Some institutional decision-making capacity may need to be maintained at the very local level, even if the scope of that decision-making authority is modest and does not extend to significant municipal services and infrastructure.
17. An annexation should not proceed unless it is seen by all municipalities involved as the correct solution based on principles established before the issue arises, through an intermunicipal development plan or other collaborative planning venture.

Appendix A: Survey and Interview Summary

To better understand how the current municipal system in Alberta functions and to gather local perspectives, the consultants interviewed and surveyed a cross-section of municipal leaders from across Alberta and elsewhere in Canada. The results have been analyzed and are summarized below:

Formal vs. Informal Approaches to Collaboration

- Despite issues being raised from time to time, most respondents believe that current relationships between rural and urban municipalities work well and are based on common interests and a history of collaboration
- Very strong preference for informal or semi-formal arrangements between participating municipalities such as commissions, inter-municipal agreements, protocols, memorandums of understanding and IDPs. Such partnerships allow municipalities to address issues without losing autonomy and helps to ensure greater accountability to local citizens.
- Many examples of successful collaboration provided (such as “Stronger Together” initiative between Clearwater County, Rocky Mountain House and Village of Caroline)
- Strong sentiment that voluntary collaboration works better than mandatory arrangements and that (quasi) forced amalgamations (e.g., Lac La Biche) can actually compound existing, underlying issues and could ultimately affect relations in other common areas of interest
- Most believe that their citizens expect voluntary cooperation rather than more formalized efforts (such as amalgamation), which often result in public tension and the impression that politicians cannot work together
- The most significant drivers of collaboration are financial (the cost of providing services and infrastructure) and the need to provide shared services (primarily social, health and recreation); current arrangements are in response to economies of scale and the need to share skilled personnel
- Cooperative agreements for social services are easier to develop and are usually more simple than those for hard services; there are also a significant number of revenue sharing agreements
- Focus has generally been on longer-term agreements for operating costs and more sporadic agreements for capital investments
- A minority of respondents supported more formal approaches such as regional governments or specialized municipalities, suggesting that tensions will continue to grow and these approaches will be inevitable
- Success stories of more formalized arrangements include Aquatera in Grand Prairie and the Regional Municipality of Wood Buffalo (although recognizing that even these approaches still have challenges)
- The province generally does not intervene in local decisions but supports collaboration among municipalities

Issues and Concerns

- Significant concern that the province will intervene in governance disputes between municipalities and that such intervention will take decision-making out of the hands of local communities
- Strong belief that legislated approaches are too heavy-handed and will adversely affect the historical relationships that have been built between communities over many decades
- Concerned that the few situations where collaboration is not happening will force direct intervention by the province

- Recognized that a significant threat to existing agreements is changes in councils where new members wish to revisit and possibly change current arrangements; there should be mechanisms in place to support longer-term implementation
- Many believe that the underlying tensions between urban and rural municipalities is too heavily focused on services and assessment which leads to a lack of willingness to deal with more strategic matters particularly with respect to economic development and land use planning
- Strong sentiment that alternative governance models could not be readily adopted in Alberta nor would there be an appetite for such approaches by local citizens.

Appendix B: Criteria to judge models of municipal governance

1	Finance (3)	Would an MD's fiscal position be improved/sustained?	How are municipal revenues collected and distributed?	To what degree are municipal revenues used at the local level? Regional level?	What expectations exist related to regional revenue sharing and/or cost sharing?		
2	Governance and accountability (5)	Would MD residents maintain a significant voice on both local and regional decisions?	How are decisions made at the local level? Regional level?	Does one of either local or regional priorities take precedence?	How is governance structured? What roles do elected/appointed officials play?	Is regional collaboration formalized? Voluntary? Issue-specific?	To what extent are citizens involved in local/regional decision-making processes?
3	Service delivery (4)	Would the range and quality of services in MD be sustained/improved?	Are residents generally satisfied with how services are delivered?	Are services delivered efficiently?	Are there challenges in delivering services in certain areas? Are some services delivered more effectively than others?	Are service delivery responsibilities contracted out to the private sector, or delivered by municipal (or regional) employees?	
4	Administration (3)	Would the cost and capacity of professional management be better?	How are plans related to asset management, service delivery, etc. executed?	How do municipal (or regional) staff balance local and regional priorities?	Are regional projects undertaken by municipal staff?		
5	Local identity (4)	Would local community identity be preserved?	Are residents satisfied that their needs are being addressed?	To what extent are municipal councils involved in regional decision-making?	To what extent do residents feel a sense of pride in their community?	Are residents more concerned with access to elected officials or with efficient provision of services?	

6	Rural and urban collaboration (4)	Would the interests of MD residents be protected?	Does the governance model serve the needs of urban and rural municipalities equally effectively? If it better serves one type of municipality, why?	Is regional collaboration required? Encouraged? Discouraged? Impossible?	Are service delivery methods equally effective in both urban and rural areas?	Do rural areas receive proportional political representation? Is this fair?	
7	Formation (3)	How difficult would implementation be?	What is the process to form and dissolve?	What role/input do citizens have in formation or dissolution?	Is formation a local decision or dictated by other levels of government?		
8	Broad/External Impacts (6)	Are 'regional' economic and service issues more likely to be adequately addressed?	Does the model allow for a municipal unit to be formed that excludes certain geographical or service delivery areas?	Are existing local government structures impacted?	Are regions on the geographic periphery of the municipal unit less likely to be involved in decision-making? Receive economic benefits?	Does the model encourage centralization within a municipal unit?	Does the model allow for 'remnant regions' – areas that are excluded from the municipal unit and struggle to remain viable as a result?

Criterion 1 – Finance

Any alteration in municipal boundaries and/or structure will result in two changes. First, the base on which taxes and utility rates are levied. Second, the level of taxation and utility rates imposed on that new tax base.

Sharing the tax base over a broader area may allow a greater level of equity across the economic region served by the municipalities involved. It can also enable the residents and businesses in the region to finance the cost of regional services that are now necessary or were previously viewed as unaffordable.

However, sharing a tax base can also result in the residents and businesses in one municipality experiencing a significant increase in taxation to finance municipal expenditures. This may occur because territory is added or merged with a municipality with a weak tax base. It can happen when rural taxpayers are asked to share in the cost burden of the higher level of urban municipal programs and services. It can also occur when rural municipalities are required to continue to fund the high cost of an extensive network of roads and other costly space-extensive services from a modest agricultural assessment base.

This potential inequity is made greater if the standard rural non-residential tax base is reduced or shared by urban municipalities as a result of governance changes. Rural non-residential taxation, such as linear assessment and machinery and equipment taxation, was intended to address industrial development-related expenses in rural municipalities. This recognizes that agricultural property taxation is generally inadequate to fund the high per capita cost of rural services, such as space-extensive rural roads (typically used by rural and urban residents alike, as well as the industries that drive the province's economy).

The best governance models ensure differential urban and rural taxes and rates. They also ensure that both regional and local services receive consistent financial support from all taxpayers and utility customers in an even-handed and non-discriminatory fashion. Finally, the best governance models protect the municipalities from unsupportable debt burdens or measures that would undermine the economic competitiveness of the region.

Criterion 2 – Governance and Accountability

The second test of a governance model is its success in balancing regional priorities with decisions that preserve and protect the legitimate interests of the local community or communities. In some cases, a greater degree of integration and coordination between municipalities and communities will be a matter of economic, fiscal or service necessity or priority. In other cases, the priority will be to preserve a large degree of local independence and choice in determining the level of services and the willingness to pay. This may mean that joint efforts on regional programs and services are cooperative and voluntary, rather than compulsory. It may also allow individual choice, so that some will decide to participate, and others can opt out.

Among the models, the municipal decision-making body or bodies may favour of one or these two priorities (local versus regional). This is neither good nor bad, but it should be recognized in the evaluation of the models.

Criterion 3 – Service Delivery

While municipalities are governments, legislating and regulating within their communities, for many people the purpose and test of municipal government is the efficiency and effectiveness of its delivery of services and programs. This can be a difficult judgment, as there is a considerable range in the type and quality of municipal services: roads may be well maintained, but water systems may be obsolete. The quality may be adequate, but the cost may be out-of-line with neighbouring municipalities.

The test of a governance model's ability to meet service expectations can be simply a "customer-service" test. It can also be a matter of ensuring that the service or program is delivered in a way that ensures economies of scale, security and redundancy in case of emergencies, and standard operational efficiency. Judging the service criterion may include deciding whether services and facilities are well matched to the needs of the community, and whether they can be delivered best on a regional or local basis, and by municipal staff or by a private or non-profit contractor.

Criterion 4 – Administration

Closely related to the service criterion is the evaluation of the governance model's ability to attract and retain management and professional staff to meet the demands of being both a government and a service-manager. While good staff can be found in all municipalities, some governance models may make it easier to meet the demands of contract-administration, financial management, service-related engineering, or recreational programming.

A major consideration is the ability to administer service-delivery systems and to manage land-use planning and development approval processes. In large part, land-use planning is a key to the future success of any community.

A governance model needs to support an administration with the scope, talent and processes to manage land-use planning and service-delivery issues, both local and regional. There is also a corresponding need for the governance model to attract elected representatives who are in a position to provide leadership and direction to professional staff.

Criterion 5 – Local Identity

To many, a local community's identity is closely linked to its municipal government structure. While this may not be a necessary connection, it is a commonly held view, especially among residents of rural, suburban, and small urban communities. However, keeping municipalities small to preserve community identity can have consequences that may undermine the quality of life in those communities, as well as the health of the larger region within which their residents and businesses are located. Small scale municipalities and limited resources may make some necessary services unaffordable, or require disproportionate expenditures to provide them. As noted under the administration criterion, it may also deny residents some of the management and professional expertise that supports good community government and high quality services and facilities.

The test of the community identity criterion is whether a governance model can achieve both objectives: preserving and enhancing a strong sense of community identity and voluntarism, and organizing and delivering municipal services in a way that benefits from economies of scale, greater organizational capacity, and the resources of a broader tax and utility base. This can be addressed in a variety of ways, ranging from the format of political representation to support for programs that recognize and enhance the local community, including the broader rural community. Do the local residents and businesses have ready access to elected representatives who will advocate their concerns and interests? Are the local community's elected representatives able to influence decision-making and the allocation of resources at the broader, regional level?

Criterion 6 – Rural and Urban Collaboration

Many of the points of tension in municipal history across Canada have revolved around reconciling the interests of rural municipalities and urban municipalities, existing together in the same economic and social region. There are also many examples of cooperation and collaboration between rural and urban municipalities. Some of this collaboration is based on inter-municipal agreements for cost-sharing or service delivery. Some programs, facilities or services are coordinated on behalf of municipalities by a public authority or private service-provider that serves the region. Some collaboration takes the form of a joint approach to land-use planning, economic development, or the planning and construction of physical services infrastructure.

In most cases, the initiative for changes in municipal governance is driven by an urban municipality, and focused on its rural neighbour, typically the MD (in an Alberta context). The situation is often reversed, however, in the case of smaller urban municipalities, like villages, when they seek incorporation into the MD due to fiscal or service-delivery pressures.

The test of this criterion is whether a governance change makes it more difficult for rural residents to enjoy the services and programs that meet their needs, and often, the option to forego the cost of services that are more suitable for urban residents and businesses. Again, this may be a matter of political representation, area-rating for municipal services and facilities, and/or measures to reduce land-use conflicts between rural and urban land-uses. However, it is equally important that the effort to protect the interests of rural residents and businesses not come at the direct expense of necessary regional initiatives to serve the wider population. A capacity to opt-out or demarcate urban from rural is positive; the ability of rural or urban municipalities to frustrate worthwhile regional initiatives is not.

Criterion 7 – Formation (Implementation)

The issues that give rise to debates about municipal restructuring vary widely, but the pattern is less varied. Governance changes can be contested, or mutually supported. Governance solutions may be generated voluntarily, or they may be imposed. The public – on both sides – rightly expects to play a prominent role in the debate about the future direction of their community. In some instances, the law or the process requires public engagement.

The tactics used by one or more of the municipal parties may often influence the resolution of an inter-municipal governance issue. Choices may also be reduced by the limitations of legislation. A particular governance model may invite

or avoid provincial participation or intervention. If the local debate is acrimonious, there may be a strong political incentive to “put the issue behind us,” rather than to craft the best solution for the communities involved. All of these factors combine to require an assessment of the likely degree of difficulty (and disruption of regular business) associated with gaining support for, and implementing, a particular governance option.

Criterion 8 – Broad/External Impacts

Gauging the merits of a municipal governance option should not be confined to the narrow range of issues on which the choices are often presumed to depend, such as taxes or services. The success of municipal government can materially affect local and regional economic, social and environmental conditions.

A self-serving governance option may address the needs of one party, but leave a legacy of fiscal or operational challenges for others. For example, in the criteria imposed on municipal governance negotiations in Manitoba and Ontario, certain minimum preconditions were specified. In Manitoba, a modest minimum population target was established for the successor rural municipalities. In Ontario, municipalities were discouraged from creating irregular municipal boundaries, especially those that isolated small urban centres or rural townships from their consolidating rural neighbours – creating the “hole in the doughnut” phenomenon. Frequently, annexing municipalities are discouraged from creating municipal boundary adjustments that would likely leave a residual rural municipality without the resources to be sustainable. Rural municipalities are likewise discouraged from retaining fringe development that depends on service-extensions by their urban neighbours.

In other cases, where the priorities may be coping with a fast-growing regional economy or a boom in residential development, municipalities need to find ways to make region-wide decisions. This might happen either through a geographically larger municipal structure of some kind, or by finding other means to cooperate on the planning and financing of growth pressures. Correspondingly, if a region is experiencing a decline in its economy and its population, there may be need to consolidate the municipal structures in the region, so as to reduce costs and to share the fiscal burdens of keeping municipal facilities and services operating, and promoting revitalization efforts.

Appendix C: Characteristics of the Models of Municipal Governance

Rural/Urban Segregation /Annex.	Local Rural Consolidation	Amalgamation. Based on SLAs	Single-Tier Rural Municipality	Single-Tier Urban-Rural Merger	Regional Board/ Contract	Muni. Confed.	Muni. Federation
Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<ul style="list-style-type: none"> • Rigid boundary between urban and rural • Joint planning of urban-rural fringe • Periodic annexation, sometimes based on ‘triggers’ or criteria • Shift cost of services to urban muni • Loss of rural tax base due to annexation • Annexation compensation • May happen coincident with other restructuring (e.g., rural merger) 	<ul style="list-style-type: none"> • Reduced number of local municipalities within County or MD • May lead to single-tier rural municipality surrounding city • Measures to retain local (hamlet) identity (volunteer fire companies; recreation committees; downtown promotion, signage; local tourism bodies; etc.) • May have strong upper-tier, weak upper-tier or no upper-tier 	<ul style="list-style-type: none"> • Municipality boundaries aligned with SLAs, work and residence patterns of citizens. • Intended to rationalize link between tax payers and services/infrastructure • Looks at municipal government from “top-down” based on pre-existing SLAs. • May overlook local concerns, differences, etc. when combining municipalities. 	<ul style="list-style-type: none"> • Predecessor rurals consolidated into single rural municipality • All municipalities within a regional area merged into single urban-rural municipality; may include differential taxes and services, by geographic district • Permits ‘hole in the doughnut’ phenomenon of ‘separated cities’ 	<ul style="list-style-type: none"> • All municipalities within a regional area merged into single urban-rural municipality • May include differential taxes and services, by geographic district • May be designated County, or city, or some neutral term 	<ul style="list-style-type: none"> • Specific, contracted services (police, solid waste, etc.) • Local rural and small urban municipalities contract for full range of individual municipal services from: County; specific or general purpose services board; private suppliers; or, larger neighbouring urban municipalities 	<ul style="list-style-type: none"> • Limited upper-tier or regional functions • May be urban/rural federation or federation of only rural municipalities • May transfer local functions to region /upper-tier • Land-use planning approvals largely local • Most service-delivery local, not regional • ~75% of municipal tax bill for local services 	<ul style="list-style-type: none"> • Many municipal functions at upper tier • May be urban/rural or rural only • Approvals for development and servicing regional • Costly services at upper-tier (policing, roads, etc.) • ~75% of municipal tax bill is for upper-tier services • Exclusive authority over long-term debt (ability to pledge local taxable assessment) • Local municipalities may merge within federation • May take on former provincial services (human services, etc.); may or may not be reimbursed for costs

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