Rural Municipalities of Alberta

Cross-Jurisdictional Municipal Financial Comparison

Briefing Package

August 2020

Introduction: Alberta's municipalities in context

Alberta's municipalities are often misunderstood by stakeholders and those in government. This is particularly true of rural municipalities, which are commonly criticized of overspending and disincentivizing industry through their property tax rates. What is not commonly talked about is the other side of the municipal spending/expense equation. In other words, a full understanding of municipal finances cannot occur without an understanding how Alberta's rural municipalities differ from their counterparts within Alberta and in other jurisdictions in terms of their service delivery and infrastructure responsibilities, budgeting process, revenue sources, and role in supporting industry competitiveness.

The briefings in this document provide important background context in these areas to help educate stakeholders, decision-makers, and all Albertans on how Alberta's municipalities (and particularly rural municipalities) operate, and why comparisons of per capita spending do not reflect a full or fair consideration of the municipal context. The document includes the following four briefings that provide important information related to municipal finance and service delivery:

- Briefing 1: Municipal Service Delivery in Rural Alberta is Unique
    - Alberta municipalities offer more (and different) services than most comparable jurisdictions.
    - Alberta's rural municipalities have a uniquely large transportation maintenance burden compared to comparable jurisdictions, indicative of provincial downloading.
- Briefing 2: Alberta municipalities budget based on the costs of their services
    - Municipal tax rates are set by councils based on the costs of service provision each year, taking into consideration grants, user fees, and other non-tax revenue available.
    - Municipalities are not legally allowed to budget for deficits, so mill rates must address the remaining shortfall in revenues.
    - The services commonly provided by rural municipalities require much higher levels of own-source revenue than the services commonly provided by urban municipalities.
    - Any externally driven reductions to municipal tax revenues will impact municipal service delivery or require other taxpayers to take on a larger share of the tax burden.
- Briefing 3: Alberta municipalities have limited sources of revenue and taxation tools compared to other jurisdictions
    - Alberta municipalities lack the flexible property tax system available in other jurisdictions.
    - Alberta municipalities have limited revenue sources compared to other jurisdictions.
- Briefing 4: Alberta municipalities support industrial competitiveness and development
    - Municipalities actively invest in infrastructure and services that supports industry.
    - Municipalities have made great strides to control costs over time, leading to comparable growth in spending despite a volatile operating environment.
    - Alberta municipalities are in a difficult net financial position compared to their peers.

Due to challenges in finding consistent, comparable data from different jurisdictions, different briefings include different provincial comparators. When possible, comparisons focused on Ontario, British Columbia and Saskatchewan as these provinces have the most in common with Alberta.

Brief 1: Municipal Service Delivery in Rural Alberta is Unique

Industry is crucial Alberta's economic growth. Rural municipalities rely on industry for tax revenue and local economic development, but industry relies on municipalities to provide important services. This brief provides an overview of how service provision in rural Alberta differs from other jurisdictions, and why per capita comparisons of municipal spending tell an incomplete story.

Do Alberta municipalities spend more per capita than municipalities in other provinces? They do. Alberta municipalities spend at the second highest per capita rate in Canada, trailing only Ontario. Industry stakeholders have made this well-known and the data confirms it.

What industry stakeholders sometimes don't consider is the other half of the equation. Why do Alberta municipalities spend more? What do they spend it on? What would happen if they didn't spend it?

This brief will answer these questions by explaining the following:

1. Alberta municipalities offer more (and different) services than most comparable jurisdictions
2. Alberta's rural municipalities have a unique responsibility for large transportation networks compared to other jurisdictions.

Alberta municipalities offer more (and different) services than most comparable jurisdictions

Below is an overview of municipal service responsibilities across provinces. The table is derived from a 2015 University of Calgary research paper and modified to focus on jurisdictions similar to Alberta. The full paper is available here.

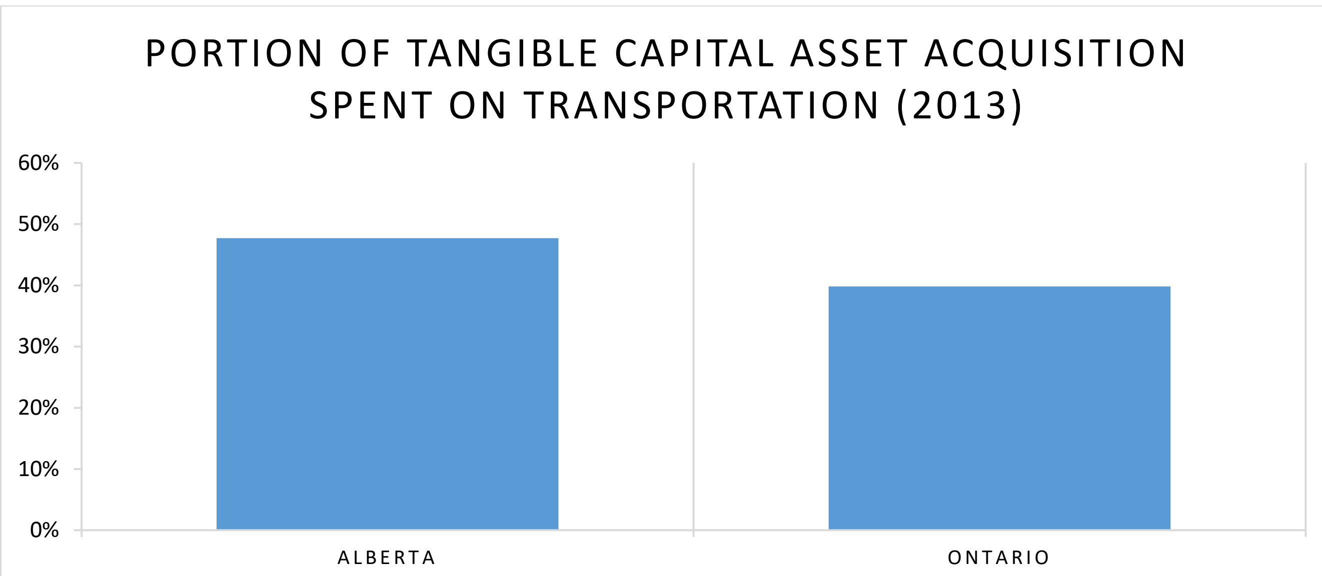
Responsibility	Ontario	Alberta	BC	Saskatchewan
General government services	X	X	X	X
Policing/bylaw	X	X	X	X
Firefighting	X	X	X	X
Regulatory measures	X			
Roads	X	X	X	X
Transit	X	X	X	X
Hospital care			X	
Social assistance	X	X		
Other social services	X	X		
Agriculture		X		X
Tourism	X	X	X	
Water	X	X	X	X
Wastewater	X	X	X	X
Waste collection	X	X	X	X
Recreation	X	X	X	X
Housing	X	X		
Regional planning	X	X	X	X
Total	15	15	11	10

Alberta and Ontario municipalities clearly cover the largest number of service areas, which correlates closely to per capita municipal spending rankings.

Alberta's rural municipalities have a unique responsibility for large transportation networks compared to other jurisdictions.

There is one service area where Alberta rural municipalities deliver much more of than other jurisdictions: roads and transportation construction and maintenance.

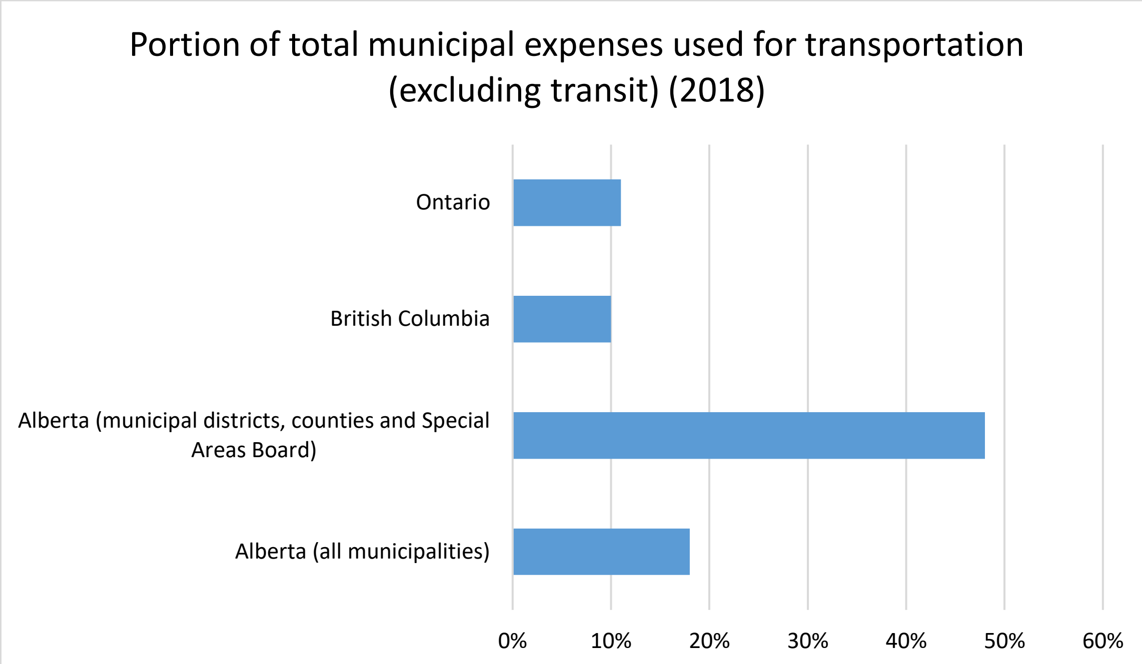
The graph below illustrates the outsized role that roads have in driving costs for Alberta municipalities. As Alberta and Ontario collectively manage approximately one-half of Canada's roads, the data below (derived from the same document linked above) comparing municipal transportation costs between the two jurisdictions is striking.



While both provinces maintain huge road networks, Alberta's municipalities maintain more as a proportion of the province's overall network than Ontario's. It is also important to note that the numbers above include transit, which comprises a much larger portion of Ontario's transportation spending than Alberta's

Additionally, Alberta's 69 rural municipalities alone manage over 70% of Alberta's road network. Comparatively, municipalities across Canada manage 68% of all roads. This means that RMA members alone manage a higher portion of Alberta's roads than the average of all municipalities across the country.

Another way to compare spending pressures among municipalities is to consider the extent to which municipal transportation costs form a portion of total municipal expenses (figures derived from 2018 municipal financial statistical returns for each province).



This distinction is an example of downloading in action. BC and Ontario's provincial governments have a much larger role in road construction and maintenance than Alberta's.

Additionally, in BC, Saskatchewan and Ontario, large areas of land are not under municipal control, mainly in sparsely populated northern areas of each province. Alberta is Canada's only province where all land (except parks) is under municipal control. Alberta's rural municipalities are responsible for managing large rural road networks mainly used by industry, something municipalities in other jurisdictions do not face. In fact, rural municipalities provide services to approximately 85% of Alberta's land mass, despite hosting only about 18% of Alberta's population. What this means is that RMA members face major service responsibilities with a limited residential tax base. The density figures below are based on analysis of 2016 data provided by Statistics Canada, available here.

Jurisdiction	Density (residents per square kilometre)
Alberta - overall	6.4
Alberta – all municipally-managed land	7.1
RMA members	**1.2**
Saskatchewan – overall	1.9
Saskatchewan – all municipally-managed land	3.4
Ontario – overall	14.8
Ontario – all municipally-managed land	85.8
BC – overall	5.0
BC – all municipally-managed land	42.6

Given this disparity, it is not surprising that Alberta municipalities have high levels of per capita spending, as so much goes to basic infrastructure that serves industrial development, not people.

Brief 2: Alberta municipalities budget based on the costs of their services

Municipal revenue collection and budgeting exists to serve two purposes: to ensure the municipality can function and to fund the services residents and stakeholders require. Because rural municipalities manage 85% of Alberta's land but have only 18% of its population, the services and infrastructure they provide are predominantly focused on meeting the needs of the various industries that operate within their boundaries.

This brief will clarify municipal budgeting by explaining the following:

1. Municipal tax rates are set by councils based on the costs of service provision each year, taking into consideration grants, user fees, and other non-tax revenue available.
2. Municipalities are not legally allowed to budget for deficits, so mill rates must address the remaining shortfall in revenues.
3. The services commonly provided by rural municipalities require much higher levels of own-source revenue than the services commonly provided by urban municipalities.
4. Any externally driven reductions to municipal tax revenues will impact municipal service delivery or require other taxpayers to take on a larger share of the tax burden.

Municipal tax rates are set by councils based on the costs of service provision each year, taking into consideration grants, user fees, and other non-tax revenue available.

Determining tax rates is often the last step of the municipal budgeting process, following determination of what services the municipality's residents and businesses require, and what non-tax revenues are available to fund them. Ideally, a municipality would prefer to levy no property taxes, but a lack of other revenue sources makes this an impossibility in Alberta and most municipalities across Canada.

The municipal budgeting process never stops, as municipalities constantly gather information on their services and infrastructure that inform budgeting for the upcoming year. For example, the approval of a new industrial development in a municipality may influence budgeting for road and water infrastructure if that development requires a higher level of servicing than what is already available.

Another approach to budgeting inputs comes in the form of surveying or information-gathering of municipal residents and businesses. A great example of this process can be found in one RMA member's 2020 budget survey, which asked some of the following:

- Rank priority services areas
  - Road maintenance, landfill, recycling, utilities, transfer stations, etc.
- Tax strategies for road maintenance
  - Reduce level of service, maintain level of service, enhance level of service
- How important are municipal reserves for future infrastructure?
  - Extremely important, very important, somewhat important, not so important, not at all important, unsure
- How to balance the budget

- Increase property taxes, increase user fees, cut existing services to maintain current taxes, cut existing services to reduce taxes, combination of increase to property taxes and user fees, combination of cutting service levels and small increase to tax/user fees

These examples show that the first step in the municipal budgeting process is monitoring changes in the municipality that may affect service delivery and infrastructure use. These changes may be in the form of a new development, or they may be in the form of direct input or feedback from municipal taxpayers.

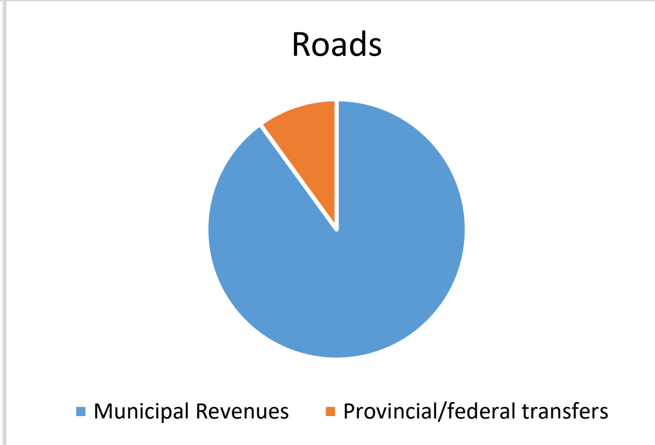
Municipalities are not legally allowed to budget for deficits, so mill rates must address the remaining shortfall in revenues.

Unlike provincial and federal governments that can introduce deficit budgets to maintain service levels during challenging economic times, the *Municipal Government Act* (s. 283.1) requires municipalities to prepare a balanced budget each year. That's why any changes to how municipalities can gather revenue (through taxes or other means such as grants) will have domino effects as the municipality must either find an alternative revenue source or reduce spending, which typically means lowering service levels. Compounding this is recent changes to the *Municipal Government Act* requiring municipalities to develop three-year operating and five-year capital budgets. Although RMA supports long-term municipal planning, this can be impossible when municipal revenue sources are volatile from year to year.

Consider the Government of Alberta's 2020 budget deficit of $6.8 billion. Requiring the province to balance this budget immediately would result in severe service cuts or tax increases. Municipalities are under this pressure each year, and also must plan several years into the future, despite facing similar economic challenges to those of the province.

The services commonly provided by rural municipalities require much higher levels of own-source revenue than the services commonly provided by urban municipalities.

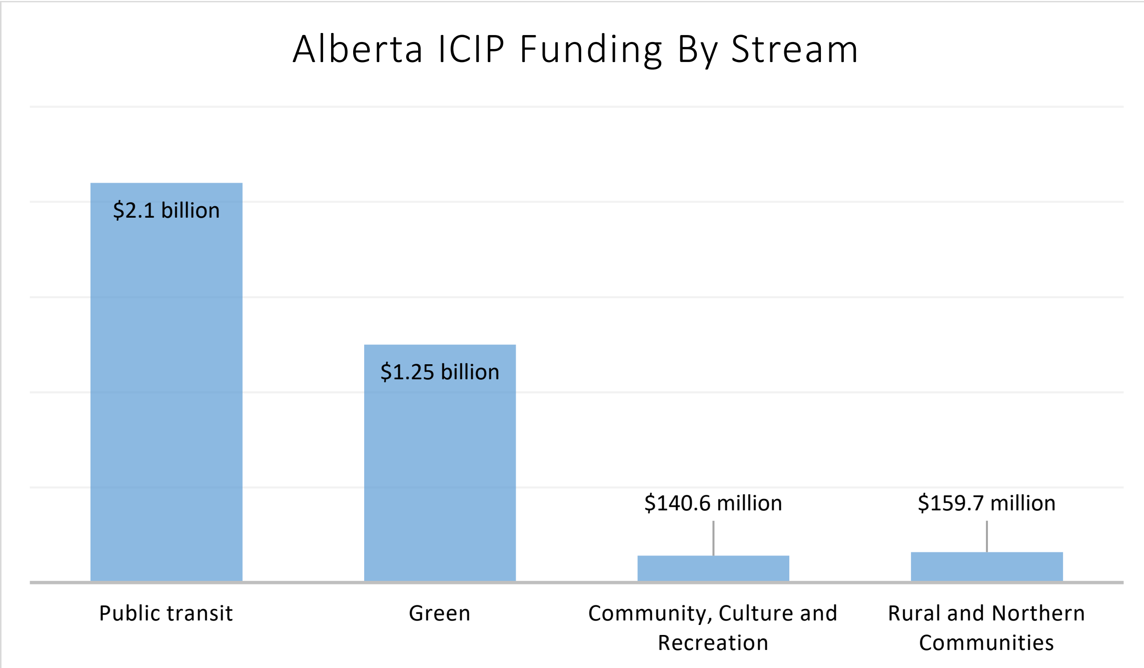
Recent research (derived from a 2020 policy paper developed by Ontario 360, and available here) into how municipal services and infrastructure are funded in Ontario highlights the types of services that are funded by property taxes versus other sources of revenue, like transfers. The research shows that own-source municipal revenue predominantly covers core municipal services such as transportation and water/wastewater infrastructure. Supplementary municipal services such as social programs are more likely to be covered by transfers or other sources of revenues. Rural municipalities provide core infrastructure such as wastewater and roads to a much larger extent than their urban neighbors due to the large presence of industry and lower population in rural Alberta. Although this research is applied to Ontario municipalities, the breakdown for Alberta municipalities would be similar.



Another way to underastand the larger cost burden municipalities are expected to carry for core infrastructure such as roads is by considering the types of services and infrastructure provincal and federal grants for municipalities prioritize. While Alberta municipalities have the opportunity to apply for a variety of grants, the federal Investing in Canada Infrastructure Program (ICIP), which the Government of Canada describes as a "plan to build a prosperous and inclusive community through historic infrastructure investments," provides a great example of how rural infrastructure priorities are often not shared by other levels of govenrment. Alberta's share of ICIP funding is divided into four streams:

- Public transit
- Green
- Community, culture and recreation
- Rural and Northern Communities

There is no doubt these are all important infrastructure types. However, for Alberta's rural municipalities, who identify roads and bridges as their number one expense, the federal government's funding priorities do not appear aligned with their own. In fact, the only stream allowing for road and bridge funding is the Rural and Northern Communities stream, which also allows for a wide variety of other projects, ranging from food security to broadband. When considering that road and bridge funding is a single component of one of the smallest funding streams under the program, the table below even more clearly demonstrates that other levels of government do not support rural infrastructure priorities at the same level as urban infrastructure priorities.

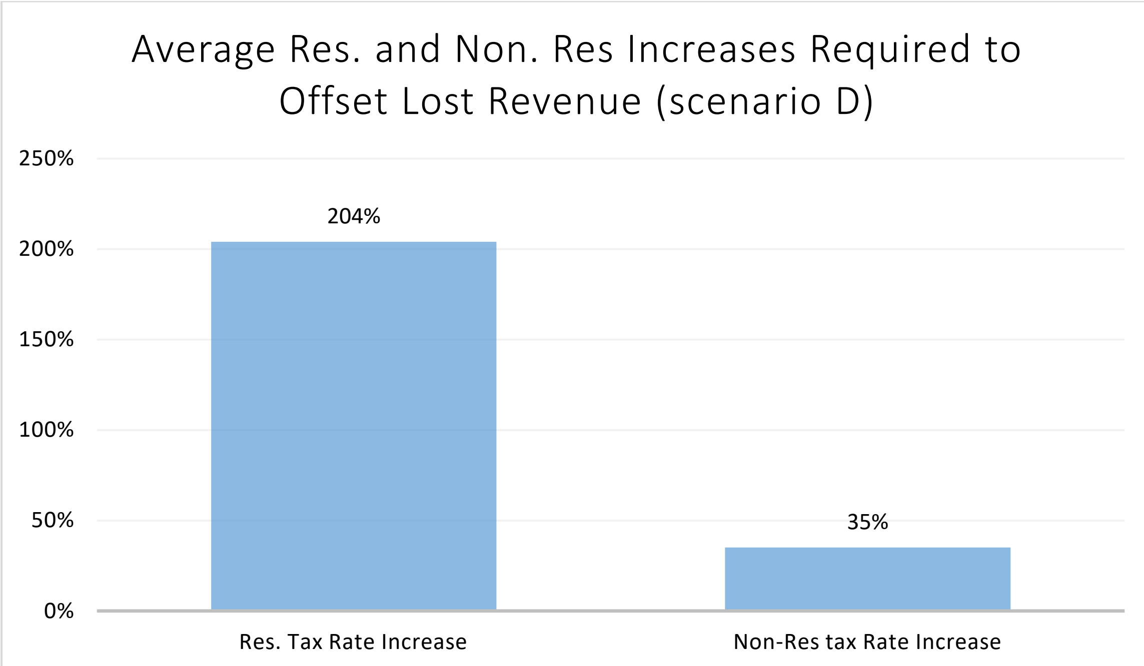


For rural municipalities, the limited provincial and federal funding for roads and bridges means that they spend a huge portion of their property tax revenues on transportation infrastructure, despite providing other services such as water/wastewater infrastructure, land use planning, recreation, and many others. In fact, according to 2018 municipal financial reporting, Alberta's municipal districts and counties (and the Special Areas Board) spent 48% of their total expenses on transportation infrastructure in 2018, compared to 18% for all Alberta municipalities.

Any externally driven reductions to municipal tax revenues will impact municipal service delivery or require other taxpayers to take on a larger share of the tax burden.

Because rural municipalities manage infrastructure that is likely to be mainly self-funded, any changes to the ability of municipalities to raise revenue through property taxes can be impactful. Such decreases can happen due to economic downturns, as well as policy decisions such as the Government of Alberta's proposed assessment model changes currently under consideration. Because rural municipalities have few residents, but high levels of industrial activity many are highly dependent on the taxes paid by industry in order to build and maintain the infrastructure industry requires.

To understand how challenging this can be for rural municipalities, consider the average tax rate increases that would be required to recover the revenue that would be lost through the most extreme scenario being considered under the current assessment model review.



Because rural municipalities cannot plan a deficit budget to address short-term revenue reductions, and because their residential tax base is so limited, they would have no choice but to drastically increase residential taxes to meaningfully off-set losses caused by even minor changes to non-residential assessment.

Brief 3: Alberta municipalities have limited sources of revenue and taxation tools compared to other jurisdictions

How do municipalities raise revenue? The most common source is property taxes, but in Canada, municipalities receive revenue in other forms as well; most commonly through grants and user fees. Some stakeholders have been critical of Alberta municipalities as having a higher level of property tax revenue per capita compared to those in other jurisdictions. This is an accurate assessment but is meaningless without understanding why this is the case.

This brief will clarify why Alberta municipalities collect more taxes per capita than municipalities in many neighboring jurisdictions by explaining the following:

1. Alberta municipalities lack the flexible property tax system available in other jurisdictions.
2. Alberta municipalities have limited revenue sources compared to other jurisdictions.

Alberta municipalities lack the flexible property tax system available in other jurisdictions

One of the key limitations that Alberta municipalities face relative to those in other jurisdictions is the lack of property tax classes available to them, particularly for non-residential property tax classes.

Currently, Alberta municipalities can create sub classes for residential property taxation through bylaw with few restrictions, however, as per the relevant regulation, there are only three allowable sub-classes for non-residential property:

- vacant non-residential property;
- small business property (fewer than 50 full-time employees; mill rate must be at least 75% of "other non-residential property" sub-class)
- other non-residential property

Other restrictions include:

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

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

Alberta (3)	Saskatchewan (5+)	Ontario (4+)	British Columbia (7)
Vacant non-residential	Commercial/industrial	Commercial	Utilities
Small business	Pipelines	Industrial	Supportive housing
Other non-residential	Resource prod. equip.	Pipelines	Major industry
	Heavy industrial	Managed forests	Light industry
	Railway	Municipalities may set additional classes	Business/other
	Cities may set additional subclasses		Managed forest land
			Recreational/non-profit

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

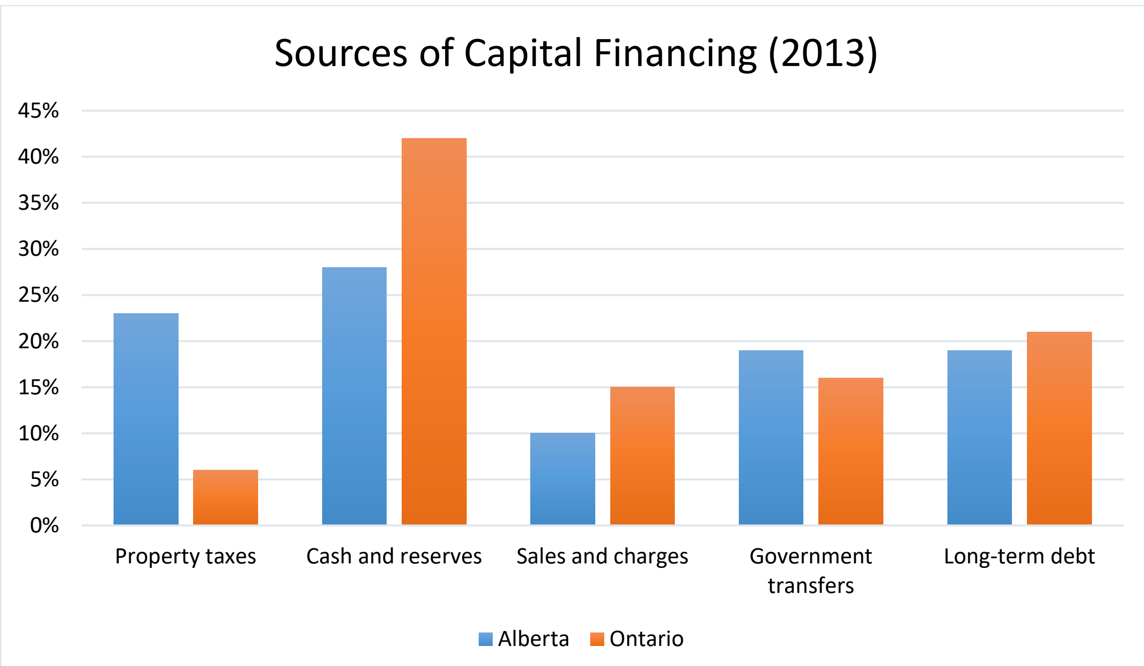
Alberta municipalities have limited revenue sources compared to other jurisdictions

Alberta municipalities lack a range of potential tax and revenue sources available in other jurisdictions. In fact, the list below identifies municipal revenue tools available in other jurisdictions and not in Alberta. Note that not all of these tools would necessarily be desirable for Alberta, but each would be a potential revenue tool that would lessen the current reliance on municipal property taxes in the province. Legislative amendments would be required to enable the province or municipalities to use most of these tools in Alberta (an example of each is provided as a link).

- Formal provincial-municipal revenue sharing (sales tax, income tax, gas tax, casino/VLT, vehicle tax, traffic fines)
  - Saskatchewan, Manitoba, Quebec, British Columbia, Ontario
  - Edmonton/Calgary receive some fuel tax revenues
- Personal income tax
  - Exists in Manitoba as a provincial transfer
  - Most common in United States
- Corporate income tax or payroll tax
  - Most common in United States
- Sales tax – all purchases
  - Most common in United States
- Sales tax – targeted (hotel, meals, billboard, liquor, lottery, fuel, etc.)
  - Municipalities in Saskatchewan, Manitoba, British Columbia, Ontario, Quebec, PEI, Nova Scotia, and Newfoundland and Labrador have some variation of this taxation power
- Vehicle registration tax/fee
  - Vancouver, Montreal, formerly Toronto
- New vehicle sales tax (one-time levy)
  - Most common in United States
- Parking tax

- Vancouver
- Land sales taxes
  - Toronto, Quebec, Nova Scotia, Manitoba
- Surcharge on electricity/gas/waste
  - Vancouver, Saskatchewan, Winnipeg, Newfoundland and Labrador, Northwest Territories
- User fees – transportation (toll roads)
  - Toronto
- Poll Tax
  - Newfoundland and Labrador

As a result of their relative tax and revenue tool limitations, Alberta municipalities are highly dependent on property taxes to fund basic services and infrastructure. This tax reliance can be seen in the following figure, from the 2015 research paper from the University of Calgary School of Public Policy, which highlights some of this reliance by exploring the differences in how Alberta and Ontario municipalities finance capital expenditures:



The table above shows that relative to Ontario, which is most similar to Alberta in terms of per capita taxation and spending, Alberta municipalities are much more reliant on their same-year own-source property taxes to fund capital projects, in contrast to Ontario municipalities, which are able to save revenue in long-term reserves at a higher rate, and also have more reliance on sales and charges and long-term debt. If nothing else, this comparison indicates that property taxes are crucial to the ability of Alberta's municipalities to manage infrastructure and deliver services, and municipal financial reserves are used in Alberta at a very reasonable level.

Recent municipal financial statistics from Alberta, British Columbia and Ontario also highlight the high reliance on property taxation by Alberta municipalities. The reported figures in 2018 showed:

- Overall, Alberta municipalities collected nearly $7.5 billion in property tax, approximately 43% of all revenues
    - This level is fairly similar to Ontario and British Columbia, where municipalities collected 40% and 43% of revenues from property taxes respectively.
- Alberta rural municipalities collected over $3 billion in property taxes, accounting for approximately 54% of total revenues.
- Due to their low populations, rural municipalities collected a lower level of sales and user charges (13.9%) compared to all Alberta municipalities (20%).

Another common criticism related to rural municipal property taxation focuses on the higher taxes collected from non-residential properties compared to residential properties relative to their respective assessment shares. While non-residential property in rural municipalities is generally taxed at a higher rate than residential property, this is not an anomaly, but is common within Alberta and in other jurisdictions. The table below is based on 2018 data for Alberta.

	Residential		**Non-Residential**		**Machinery & Equipment**		**Linear Property**	
	Assessed %	Tax %	Assessed %	Tax %	Assessed %	Tax %	Assessed %	Tax %
Rurals	46.14%	31.25%	14.98%	19.78%	20.45%	24.35%	16.70%	22.57%
All	63.37%	46.59%	19.78%	32.23%	8.70%	10.21%	7.40%	10.21%

Ontario municipalities had the following tax splits in 2018:

Residential		**Commercial**		**Industrial**	
Assessed %	Tax %	Assessed %	Tax %	Assessed %	Tax %
79.06%	67.05%	17.87%	26.22%	2.72%	4.51%

Overall, this brief is intended to outline the difficulty Alberta municipalities would face in reducing their reliance on property taxes without an increase in other tax and non-tax revenue tools common in other jurisdictions, and that considering the especially limited revenue tools available to rural municipalities due to their low populations, their reliance on non-residential property tax is not unreasonable.

Brief 4: Alberta municipalities support industrial competitiveness and development

Alberta municipalities have a long history of supporting, investing and attracting industry. Based on the services they are required or expected to provide burdens they face, and the limited tax tools available to them, Alberta municipalities know how important continued economic development is to their long-term viability. Rural municipalities, with their large infrastructure bases and small populations, are even more reliant on continued industrial development to remain sustainable. Based on 2018 municipal financial data, Alberta's rural municipalities collected an average of 54% of their revenues in the form of property taxes, compared to 43% for Alberta municipalities overall.

Given these realities, it is unthinkable that Alberta municipalities do not consider the impact on business when setting their spending priorities and setting mill rates. Municipal decision-making is often framed as adversarial to economic development; this could not be further from the truth. In fact, Alberta municipalities are undeniably incented to work with industry to grow their tax base.

This brief will explain how municipalities incent economic development by explaining the following:

1. Municipalities actively invest in infrastructure and services that supports industry
2. Municipalities have made great strides to control costs over time, leading to comparable growth in spending despite a volatile operating environment
3. Alberta municipalities are in a difficult net financial position compared to their peers

Municipalities actively invest in infrastructure and services that supports industry

Alberta municipalities are active in economic development and attraction activities. One of the key tools municipalities use for economic development and industry support is direct investment in infrastructure to service industrial locations. These investments are mutually beneficial: they allow municipalities to grow their tax base while reducing industry costs associated with servicing new projects.

In 2018, Alberta's rural municipalities collectively spent nearly 52% of their total expenditures on infrastructure and services that directly support industry (as well as residents). These investments in areas such as roads, airports, water supply and distribution, wastewater treatment and disposal, environmental use and protection, economic/agricultural development, and others all have value to industry, and many are necessities to support certain development types. In total, rural municipalities spent over $2.3 billion in these areas.

This high level of municipal investment in infrastructure that benefits industry leads to several questions:

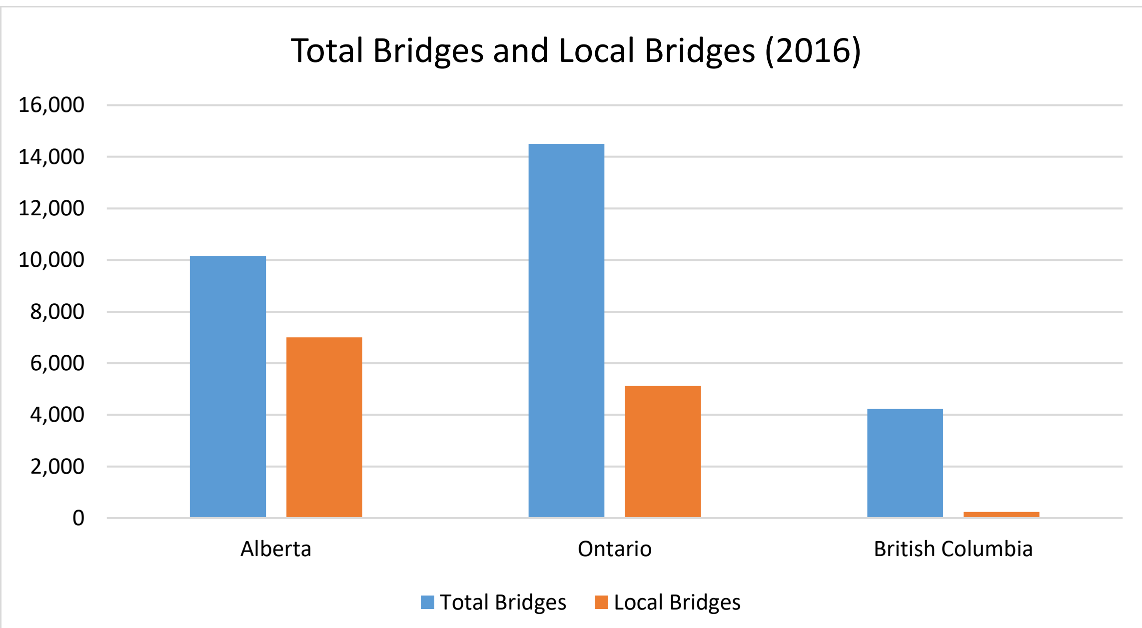
- If property tax revenues decline, how will municipalities continue to build and maintain infrastructure that industry relies on?
- Will the changes to the assessment model and reduced tax revenue cause municipalities to re-think the infrastructure investments they are willing to make to support industry?
- What are the possible negative competitiveness impacts of industry paying lower property taxes?

Taken together, these questions indicate that changes to the assessment model will almost certainly reduce municipal investment in hidden infrastructure that supports industry activity. In some cases, the costs of the infrastructure needed to make projects accessible will be passed on to industry, meaning that many projects will no longer be economically viable, as companies will be required to cover upfront development costs without the "hidden help" of municipal infrastructure investments.

Municipalities have made great strides to control costs over time, leading to reasonable growth in spending despite a volatile operating environment

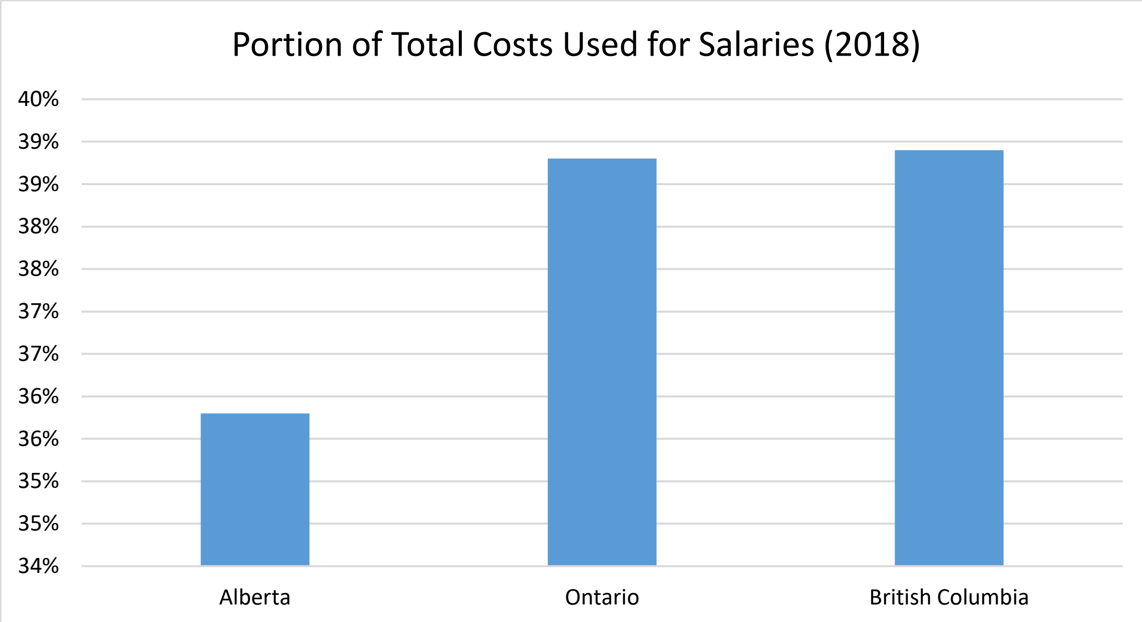
Industry stakeholders often point to increases in spending over time as an indicator of poor fiscal management on the part of Alberta municipalities. This assumption ignores the jurisdictional comparisons that show municipal costs have risen over time across several Canadian jurisdictions, and the extent to which these costs are linked to increased responsibilities related to supporting industrial development. Before considering the long-term costs comparisons across jurisdictions, it is helpful to provide some snapshots of comparable municipal spending responsibilities across jurisdictions.

A snapshot of the very different roles that municipalities play in supporting infrastructure directly used by industry can be seen in a comparison of bridge responsibilities in each province (available here). In Alberta, bridges are a critical component of the rural municipal infrastructure network, and those in the oil and gas, forestry, and agriculture industries rely on local bridges to access natural resources.



Clearly, Alberta's municipalities manage by far the largest bridge inventory, and the largest portion of their province's overall bridge inventory. While bridges are just one of many cost drivers, they are a powerful example of how Alberta's rural municipal costs are driven much more by directly providing infrastructure to industry than those in other provinces.

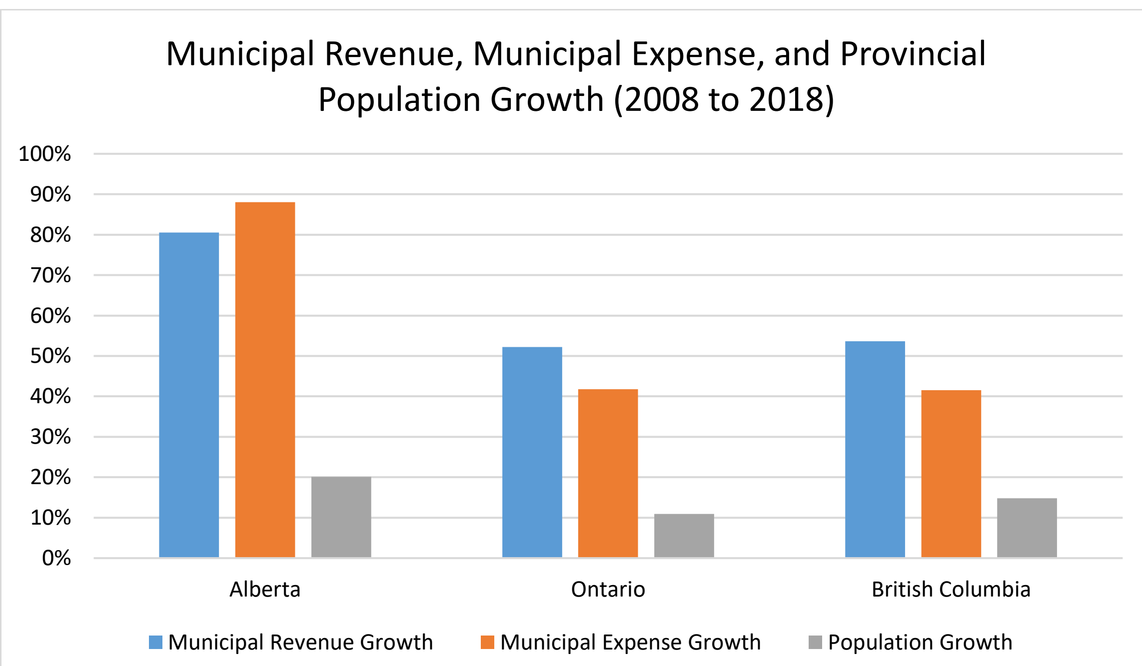
A final example to show that Alberta municipalities are driven more by infrastructure costs than others is to consider the portions of costs dedicated to salaries (based on data available here).



The difference is not large among the jurisdictions, but Alberta municipalities clearly spend less on salaries than those in Ontario and B.C., which spend at nearly identical rates.

A comparison of long-term (2008-2018) trends in Alberta, British Columbia, and Ontario shows that Alberta municipal revenues and expenses have grown at a much greater rate than those in other jurisdictions. When considered in a broader context that includes Alberta's rapid economic growth and the tremendous role that municipal infrastructure has played in it, this increase is not surprising.

The table below shows comparative municipal revenue, municipal spending and population growth in each of the three provinces (based on data available [here]()).



The data above shows that although Alberta municipalities have increased their revenues much more than their counterparts in British Columbia and Ontario, their expenses increased just as substantially. Among the three provinces, only Alberta's municipalities experienced a larger increase in municipal expenses than revenues. This reflects the rapid increase in the role that Alberta's municipalities have played in supporting resource industry growth in comparison to municipalities in the comparator provinces.

Alberta municipalities are in a difficult net financial position compared to their peers

The overall net financial position of Alberta municipalities has decreased by over 42% since 2008, as they have taken on additional deficits to cover infrastructure investments. In contrast, B.C.'s municipalities have experienced significant growth (nearly 500%) in financial position due to their lower service burdens. Ontario municipalities, who share a service burden more similar to Alberta municipalities, have seen a troubling erosion of financial value, with a reduction of over 300% (though their starting position was much better than Alberta municipalities). Based on this metric, it appears that in general, Alberta municipalities are "barely holding on," and much higher levels of revenue support (through taxes, or provincial support) are required to make up for the service and infrastructure burden they face.

As a note of interest, industry stakeholders commonly use net financial worth to measure municipal financial position, which includes the total tangible capital asset (TCA) value of municipal assets. This measure creates an illusion of municipal wealth, but in reality, is merely a reflection of the incredible infrastructure network municipalities manage. In other words, although infrastructure assets have value, they provide no direct revenue for municipalities, and maintaining the assets carries a major cost. Net financial position, which does not consider the value of TCA, is a far better indicator of financial health.

Alberta's municipalities operate in a volatile world of rapid growth and contraction that requires large investments in infrastructure and services not typically asked of municipalities in other jurisdictions. Despite this, Alberta's municipalities have done an admirable job controlling costs. Long-term trends show Alberta municipalities are in a difficult financial position compared to their peers and carry a long-term infrastructure burden that is unrivalled in other jurisdictions.