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Brandon Low

Media Contact

brandon@RMAAlberta.com

587.671.0164

RMA sets record straight on rural municipal finances

Nisku, AB, August 25, 2020 – The Rural Municipalities of Alberta (RMA) continues to be extremely concerned with the changes to the assessment model for oil and gas properties that are currently being considered by the Government of Alberta. The proposed changes could reduce total rural municipal revenues by as much as \$291 million in the first year of implementation, with some rural municipalities losing over 30% of their revenues. RMA is proud of Alberta's energy sector and the role our members play in providing access to natural resources and wants to work with the province and industry on solutions to support industry without decimating rural municipalities.

Recently, the Canadian Taxpayers Federation (CTF) released misleading information arguing that rural municipalities can easily respond to this sudden and massive threat to their budgets by simply spending less. The same stakeholders argue that Alberta municipalities spend more than most in Canada on a per capita basis, and that this high per capita spending is driven primarily by rural municipalities.

What is missing from the CTF's critique is any consideration as to why this may be the case. Rather than assuming rural municipalities are fiscally irresponsible, RMA encourages the CTF and others to sit down with rural municipal leaders to understand why their financial realities differ from other municipalities in Alberta and across Canada.

“Alberta's rural municipalities have service and infrastructure responsibilities matched nowhere in Canada. RMA members provide services to huge areas of the province and most have a very small residential tax base. Rural municipalities are the unseen supporters of Alberta's economy by managing the roads and bridges that provide access to Alberta's natural resources. Accusing Alberta's rural municipalities of poor financial management using per capita measures is not only inaccurate, it reflects a complete lack of recognition for their role in the province's past success and future growth.” – Al Kemmere, RMA President

Municipalities exist to deliver services and infrastructure to residents and businesses. The services that they are required to deliver is determined at the provincial level and varies across jurisdictions. Alberta's municipalities have a higher level of responsibility for managing roads and bridges than municipalities in other provinces, and nearly all of that responsibility falls on rural municipalities. In fact, RMA members manage over 70% of the province's road network, despite making up less than 20% of the population. Another way to consider the major role that roads play in driving rural municipal expenses is to

2510 Sparrow Drive
Nisku, Alberta T9E 8N5

OFFICE: 780.955.3639
FAX: 780.955.3615
RMAAlberta.com

consider the portion of total expenses municipalities spend on roads. In 2018, municipalities in Ontario and British Columbia spent roughly 10% of total expenses on roads, and all Alberta municipalities spent about 18%. However, Alberta’s municipal districts and counties (and the Special Areas Board) spent on average approximately 48% of their total expenses on managing their transportation networks. The reason this is much higher is two-fold: Alberta’s rural road network is much larger than those in other provinces because it was built (and continues to expand) to support industrial development, and the provincial government plays a smaller role in managing roads than provincial governments elsewhere.

“Rural municipalities have few areas to cut spending, because so much of their budgets go to building and maintaining their massive road and bridge networks, which exist mainly to benefit industry,” explained Kemmere. “Rural municipalities are hugely driven by capital costs to deliver core infrastructure. If these costs are slashed, then roads and bridges will close. Municipalities would be happy to reduce taxation and spending if someone else took responsibility for managing the roads and bridges that support jobs and keep the economy moving.”

Not only are rural municipalities unique in terms of infrastructure responsibilities, they are also unique in terms of the large, sparsely populated areas that they manage. In most provinces, infrastructure and service responsibilities in remote and northern areas are delivered directly by the province. Not so in Alberta, where municipalities have jurisdiction across the entire province. In fact, RMA members alone provide governance to 85% of the province’s land base. This presents unique challenges not considered in over-simplified per capita spending comparisons.

The chart below shows overall and municipal population density for several provinces. As can be seen, RMA members manage lands with significantly fewer people than municipalities in any other jurisdiction.

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

While Alberta’s overall population density is similar to other provinces, no one comes close to encountering the challenges that Alberta’s rural municipalities face in delivering a huge infrastructure network through an extremely limited residential tax base.

Kemmere stated, “There is a simple reason that Alberta’s rural municipalities spend at a high per capita rate. They deliver significant services to a small population

over a large area. Before labelling rural municipal spending as unreasonable, organizations that are supposedly committed to protecting Albertans from taxes may want to consider the role that the services paid for by those taxes play in economic development, and the limited alternative sources of funding available to municipalities.”

Municipal spending also cannot be analyzed without understanding the support municipalities receive from other levels of government. RMA’s analysis shows that overall in 2018, municipalities in Alberta, British Columbia and Ontario received between 40% and 43% of their revenues through property taxes. However, Alberta’s rural municipalities depended on property taxes for over 54% of their revenue. This indicates that rural municipalities have less access to alternative revenue sources such as user fees (due to their low population) and provincial and federal transfers (as many grant programs are focused on project types more suited to urban municipalities, and are often dispersed based on population).

“Rural municipalities don’t make up their tax rates out of thin air, and they certainly don’t collect more than they need to provide core services and infrastructure, and to plan for future capital projects. The bottom line is that the types of infrastructure managed by rural municipalities do not receive a large amount of funding support from other levels of government, and other revenue tools are not a viable option in most rural areas. If municipalities could tax less, they would. It’s simple: Alberta municipalities are maintaining over 8,000 bridges and culverts, as well as a 135,000-kilometre road network, which is enough to stretch across the world three-and-a-half times, with few revenue tools aside from property taxes,” stated Kemmere.

Rural municipalities are facing an unprecedented threat to their ability to deliver the services that Alberta’s industries rely on. RMA is concerned that attacks on municipal spending are detracting from the much more important reality that rural municipalities will simply have little or no ability to respond to the proposed assessment model changes given the tools available. Intermunicipal collaboration, the quality of Alberta’s infrastructure network, and tax fairness among ratepayers is at stake based on the changes being considered.

RMA recommends that the CTF consider how a drastic reduction in non-residential assessment values and associated tax revenues will impact all taxpayers in the municipality, including other business owners and rural residents, rather than focus on unrelated per capita comparisons. These property owners will face tax increases, service level reductions, or a combination of both. Contrary to assumptions that municipalities can easily cut spending on core infrastructure, in many cases there will simply be no other choice.

The Rural Municipalities of Alberta (RMA) is an independent association comprising Alberta’s 69 counties and municipal districts. Since 1909, the RMA has helped rural municipalities achieve strong, effective local government. The RMA provides Advocacy and Business Services (including RMA Trade, RMA Fuel and RMA Insurance).

* - Based on 2016 census information from Statistics Canada

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