

Building on Strength: A Proposal for Municipal Sustainability for Alberta

Report of the Municipal Sustainability
Strategy Working Group

June 14, 2010

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INTRODUCTION

Purpose of this report

This report sets out recommendations of the Municipal Sustainability Strategy Working Group. The Working Group was formed to provide input to the Minister of Municipal Affairs for the development of a strategy to improve the long-term viability of municipalities across the province.

The recommendations are based on deliberations of the Municipal Sustainability Strategy Working Group and its subcommittee in a series of meetings through the winter and spring of 2010. In particular, the working group was asked to consider four key questions:

1. What constitutes a viable and sustainable municipality and how can this be measured?
2. What basic services should a municipality provide?
3. What capacity-building tools are required?
4. What restructuring processes should be used?

The working group is made up of representatives of Alberta Municipal Affairs, the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Alberta Rural Municipal Administrators Association, the Local Government Administration Association, and the Association of Summer Villages of Alberta.

The working group respectfully presents this report for the Minister's review and consideration.

The importance of strong and sustainable municipalities

Strong municipalities play a key role in supporting healthy communities, a prosperous province and a strong nation. Municipalities are the places where Albertans live, work and play, and where they receive the daily services that contribute to their quality of life and to the economic prosperity of this province and this country.

Municipalities promote, support and advocate for the health, safety, and welfare of their citizens, provide residents with ways to make decisions about local issues, and serve as a focus for community activities. By participating in activities of their municipality, local residents

“Municipalities are the places where Albertans live, work and play, and where they receive the daily services that contribute to their quality of life and to the economic prosperity of this province and this country.”

express and ultimately (through locally elected councils) decide upon the kinds of services to be available within the community and the means of paying for them.

Local priorities and interests are diverse, as reflected in the varying service levels and ranges of services that are provided by different municipalities. Each municipality makes decisions on how to fund those services, relying on varying mixes of local revenues raised through property and business taxes, utility fees, fines and fees for service, as well as revenues received from the province and, in some cases, the federal government. As in other provinces, the Alberta government and municipalities often partner in the delivery of services of shared jurisdiction.

A vital partnership

The municipal and provincial governments of Alberta recognize the need to continue their important partnership in making sure that our communities and province are strong and healthy, now and into the future.

In Canada, the provinces have constitutional responsibility for municipal government. Alberta takes this responsibility seriously. The province recognizes the importance of ensuring that citizens are served by accountable, responsible and transparent local governments, and recognizes that a key element in achieving this end is respect for the autonomy of municipal governments to make local decisions within their sphere of jurisdiction.

The *Municipal Government Act* is the primary expression of this philosophy. The *Municipal Government Act* led the nation in offering new tools to empower municipalities when it was adopted in 1995, and 15 years later it remains one of the more progressive pieces of municipal legislation in Canada. The *Municipal Government Act* sets out certain key requirements that municipalities must abide by in order to ensure transparency and accountability, but otherwise provides municipalities with unprecedented autonomy to adapt local governance to fit local priorities and circumstances.

Respecting municipal autonomy does not mean leaving municipalities to fend for themselves. The Alberta government has historically provided significant support to Alberta's municipal sector. This support has taken, and continues to take, a variety of forms, from information and advice, to legislative and regulatory guidance, to financial assistance.

Alberta's municipal associations, most notably the Alberta Association of Municipal Districts and Counties and the Alberta Urban Municipalities Association, also have long histories of supporting municipal governments in Alberta. The municipal associations have demonstrated a

clear interest and commitment to achieving municipal sustainability through the provision of various business services to allow municipalities to capitalize on collective buying power, the development and provision of a variety of capacity-building tools, and the advocacy of municipal interests on a provincial scale.

A growing focus on municipal sustainability

While municipal sustainability is not a new concept, municipal and provincial focus on the issue crystallized at the onset of the 21st century. In 2001, the Alberta government, recognizing the challenges facing local governments, established the Minister's Provincial/Municipal Council on Roles, Responsibilities and Resources in the 21st Century. The council provided a valuable forum for municipal input on important municipal-provincial issues.

In 2005, the council was reconstituted as the Minister's Council on Municipal Sustainability. The Minister's Council identified a need for stronger regional co-operation and greater provincial leadership to address growth-management issues and strengthen intermunicipal relationships. The council also indicated that municipalities were faced with funding shortfalls that impeded their ability to provide the services and infrastructure required and expected by residents and businesses.

To address these challenges, the Minister's Council developed 12 recommendations under three broad categories: intermunicipal co-operation, municipal/provincial roles and responsibilities, and municipal revenue sources. In regard to funding, the council's recommendations included a key proposal that the province provide municipalities with additional funding support on an annual basis equivalent to the amount collected through the education property tax (approximately \$1.4 billion in 2005). The council also requested that a program be established to target financial assistance to municipalities lacking the local asset base to reasonably participate in the economic prosperity of the province.

The council's work was a key factor that led to the provincial announcement in 2007 of a major new long-term funding initiative called the Municipal Sustainability Initiative (MSI). Under this program, funding was initially allocated on the basis of education tax requisitions. Following an extensive consultation with municipal officials, the MSI funding model was subsequently revised to allocate funding on the basis of population, equalized assessment, and kilometres of local road. The MSI formula was also adjusted to provide additional funding to municipalities with limited assessments that impact their ability to generate local tax revenue.

The Alberta government continues to provide this unprecedented financial support through the MSI, under which municipal governments will receive a total of \$11.3 billion over the program's term. This funding is in addition to several other provincial funding programs for municipalities. In total, the province provides approximately \$2 billion in annual funding to municipal governments.

The need for a long-term strategy

Despite the support provided both legislatively and financially, it is clear that some municipalities continue to struggle. In particular, many of Alberta's smaller municipalities have experienced a continuing population decline over the past decade, and some have seen reductions in their local assessment base. This has occurred even as the province has gone through a lengthy period of unprecedented growth.

The Alberta government and Alberta's major municipal associations recognize the need for additional tools to enhance overall municipal sustainability. Municipal and provincial representatives agree on the need to not only provide support in certain key areas, but to also build a common understanding and expectations related to municipal sustainability.

In recognition of this growing priority, Premier Stelmach in 2009 mandated the Honourable Ray Danyluk, the former Minister of Municipal Affairs, to develop a municipal strategy to improve the long-term viability of Alberta municipalities. Minister Danyluk met with the governing boards of the Alberta Association of Municipal Districts and Counties and the Alberta Urban Municipalities Association in October 2009 to initiate discussions on the development of this strategy.

These discussions resulted in the creation of the Municipal Sustainability Strategy Working Group, consisting of representatives from Alberta Municipal Affairs and the province's major municipal associations. The membership of the working group is set out in Appendix A and its terms of reference in Appendix B.

The Honourable Hector Goudreau, who was appointed to the Municipal Affairs portfolio earlier this year, is committed to this process. His mandate from the Premier includes direction to "promote sustainability by strengthening regional co-operation, municipal viability, and community accountability."

The working group has concluded its review, and the following report reflects the findings around the four key questions outlined in the working group's terms of reference.

BASIC SERVICES

What basic services should a municipality provide?

One of the basic purposes of a municipality is to provide services (including infrastructure) to residents at a cost they are willing and can afford to pay. If services cannot be reasonably provided, maintained and funded in a manner that meets legislated standards, this becomes a viability issue for the local municipal government.

One of the four key questions considered by the Municipal Sustainability Strategy Working Group in its discussion of municipal sustainability was: What basic services should a municipality provide? In deliberating on this question, the working group considered a range of approaches. At one end of the spectrum is the current Alberta philosophy that legislated requirements should be minimal and that individual municipalities should be allowed to make service decisions to reflect local needs and priorities. This approach is reflected in Alberta's existing legislation for municipalities, and the suite of municipal services has therefore evolved somewhat differently in each community to meet the needs identified by each community.

At the other end of the spectrum is the possibility of identifying a limited list of specific services that municipalities would be required to provide, with provincial legislation amended to set out and enforce that requirement. This approach would depart significantly from Alberta's existing philosophy, and would ultimately result in municipalities being required to provide, at minimum, a set list of basic services in order to retain status as an incorporated municipal government.

Members of the working group expressed significant concern about the second approach, particularly given that community service requirements may differ due to factors such as geographic location, size, type, local economic circumstances, and community priorities. Members also stressed the importance of recognizing that municipalities are accountable to their electors for choices made in relation to which services are delivered.

The working group came to a consensus that municipal autonomy should be maintained with respect to municipal services. Members also agreed that additional information could be provided for the benefit of Albertans and their municipal governments, by building a listing of services most commonly provided by municipalities in Alberta.

This list would help to increase awareness of common municipal services, while supporting the concept of municipal autonomy and accountability in this area. This type of information tool should serve to enhance awareness that the services municipalities choose to provide may be delivered in a variety of ways in order to achieve affordable and practical service delivery to ratepayers.

The working group agreed it would be useful to provide citizens and municipalities with information on municipal practices. The ministry will work with the municipal associations to develop relevant links to such practices, within the self-assessment tool kit.

1. Council

What it means....

- ❖ As the governing body of the municipality, the elected council sets the overall direction of the municipality through the creation and review of policies and programs.
- ❖ Council activities include the passing of bylaws, adoption of policies and regulations, establishing budgets, raising funds through property and business taxes, borrowing, setting fines and fees for services, adopting plans and regulations for the use and development of land, and providing a variety of services required or desired by local residents.

2. Disaster and Emergency Measures

What it means....

- ❖ This service area includes activities related to emergency measures, disaster prevention and recovery, and the designation of dangerous goods routes.
- ❖ Municipalities often partner with the provincial and federal government, neighbouring municipalities, and the private sector to develop and implement emergency plans.

3. Fire Protection

What it means....

- ❖ This service area includes activities related to fire prevention, fire protection, fire suppression, and investigation services.

- ❖ These services may be provided by paid fire services, volunteers, or a combination of both, and are often delivered through partnership arrangements between neighbouring municipalities.

4. General Administration

What it means....

- ❖ The activities related to the administration of the municipality as a whole include: general administration, property assessment and taxation, licensing administration, municipal census-taking, budgeting and accounting, audit and legal functions, public relations, election processes and plebiscites.
- ❖ In some instances, smaller municipalities contract with larger municipalities to deliver some or all of these functions.

5. Land-use Planning and Development

What it means....

- ❖ This includes services provided by municipal planning commissions, subdivision and development appeal boards, development officers, planning offices or planning services, as well as research or studies involving planning and zoning for the municipality, and economic development projects funded wholly or partly by the municipality.
- ❖ Municipalities may carry out these functions on their own or work with neighbouring municipalities and/or regional agencies to provide the services.

6. Policing and Bylaw Enforcement

What it means....

- ❖ Activities may include crime prevention, crime detection, peacekeeping and the services of community peace officers, law and bylaw enforcement, municipal courts and jails, building inspections, parking and traffic bylaw enforcement, animal and weed control, and duties performed by utility officers. Some municipalities have established their own police forces; however, most municipalities receive their policing through the RCMP, either by direct contract or as part of the provincial policing contract.

Bylaw enforcement can be carried out through the use of municipal forces, or by contract with other agencies.

7. Recreation

What it means....

- ❖ Most municipalities provide some level of recreation programming, although services and service levels are determined according to local priorities and often involve partnerships with local volunteer organizations and community groups. These activities may provide for community parks and trails, baseball diamonds, beaches, curling rinks, golf courses, gymnasiums, recreation centres, skating rinks, ski areas, sports fields, swimming pools, or other recreation facilities and programs.

8. Roads and/or Street

What it means....

- ❖ This service area involves the planning, design, construction and maintenance of roads, streets, walks and lighting, including medians, boulevards, sidewalks, street lighting, street signs, traffic signals, railway crossing signals, and public parking facilities.
- ❖ Some municipalities carry out these functions directly, while others contract out large portions of the work. Most municipalities use a mix of these approaches.

9. Transportation

What it means....

- ❖ This includes services related to public transit systems, as well as handi-buses or senior citizens' transportation. Some municipalities also provide airport services through community airports.
- ❖ A range of specialized transportation services are provided across the province, through a variety of delivery mechanisms. Many of these services are delivered on a regional basis and involve more than one municipality.

10. Waste Management

What it means....

- ❖ This service area includes activities related to the collection of garbage and other waste material, often provided in conjunction with recycling and waste-minimization initiatives. It also includes the maintenance and operation of sanitary landfill sites, incinerators or other plants, trucks and other equipment used for collection and disposal, and solid waste landfill closure and post-closure costs.
- ❖ Services and service levels vary widely across the province and are dependent upon local priorities. Municipalities may use their own forces or contracted services to carry out these functions; in many cases, municipalities have partnered to develop regional waste-management authorities.

11. Utilities (Water and Wastewater)

What it means....

- ❖ Municipal activities in acquiring, treating and supplying water may include: acquiring a water supply, purification and treatment, and transmission and distribution, along with the operation and maintenance of facilities and lines. Municipal activities in wastewater collection or removal, treatment and disposal may include those related to: sanitary sewers and combined sanitary-storm sewers, lagoons, plant and equipment, public comfort stations, catch basins, manholes, booster stations, and the reclamation of sludge areas for lagoons or treatment plants.
- ❖ Service levels are determined locally, but must meet provincial and in some cases federal standards. In many cases, municipalities have partnered to develop regional water and/or wastewater services

As noted previously, the working group has clearly recognized the difficulty of applying any broad listing of services across the tremendous diversity of Alberta municipalities. Even considering the broad nature of the listing above, there will be significant variations among municipalities. Some municipalities will provide all of the above services; some may provide only a subset of them.

Significant variation can also occur even within each service area. For example, urban municipalities with populations of more than 5,000 are responsible for providing their own policing, while other municipalities are served through the province's contract with the RCMP. The requirements for roads and streets will differ significantly in urban and rural areas, and demands for utilities will generally be concentrated in more urbanized settings.

INDICATORS AND MEASURES

What constitutes a viable and sustainable municipality and how can this be measured?

Measuring the viability and sustainability of a municipality is neither straightforward nor easy. In an attempt to meet this challenge, the Municipal Sustainability Strategy Working Group reviewed work carried out in other Canadian jurisdictions. While focused on developing a “made-in-Alberta” solution, the working group nevertheless sought to learn from the efforts of others and, where appropriate, adopt the best ideas generated elsewhere.

As a result of their review, the working group reached consensus on the following eight broad areas where indicators and measures might be developed:

1. sustainable governance;
2. operational and administrative capacity;
3. financial stability;
4. service delivery;
5. regional co-operation;
6. infrastructure;
7. community well-being; and
8. risk management.

Within these eight broad areas, there are numerous measures that could potentially be attributed to each indicator and that could be valuable in helping to identify strengths and weaknesses in relation to a municipality’s sustainability. Moreover, many factors have an impact on municipal sustainability; therefore, any measures and indicators must be applied with discretion and care.

Given the significant variability in circumstances and conditions among municipalities, any measures and indicators should be recognized for what they are: indicators of possibilities, trends or measurement against benchmarks, rather than certain predictors of outcomes. In this light, the working group agreed that this information should be used as a means of revealing local circumstances which might merit further attention, rather than as some effort at an absolute measurement of individual sustainability or viability.

More specifically, the working group agreed to a dual process for utilizing indicators and measures, as set out below.

1. Self-assessment questionnaire and toolkit

A broad listing of qualitative indicators should form the basis for a *self-assessment questionnaire* for municipalities. This questionnaire will help municipalities to identify and understand existing community assets and strengths, as well as deficiencies. It will contain both objective and subjective questions. The questionnaire and relevant capacity-building tools will form a *self-assessment toolkit*.

The working group agreed that the toolkit should be made available for municipalities to use on a voluntary basis, but should also be mandated for use in the following scenarios:

- when directed by Municipal Affairs as a result of being flagged by the key measures (below); and
- as part of a proposed new viability review outlined later in this report.

Municipal Affairs and/or the municipal associations will provide support and assistance to municipalities as needed in working through this toolkit.

2. Key measures

A limited listing of key quantifiable measures of municipal viability should be used by Municipal Affairs as an initial screening tool for identifying municipalities that may benefit from additional ministry support.

Working group members agreed that Municipal Affairs should monitor municipal performance against the key viability measures. Wherever any municipality struggles to meet the measure, the ministry would initiate contact with the municipality to discuss options for assisting the municipality to strengthen performance if necessary.

The following are the key quantifiable measures of municipal viability that were agreed upon by the working group. It is recommended that Municipal Affairs initiate contact with any municipality that triggers three or more of the first seven measures, or that has a “qualified audit report or absence of opinion” (measure 8). The ministry would also advise the relevant municipal association.

Financial

1. The municipality has reached 80 per cent or more of its debt and debt service limit.
2. Provincial and federal grants account for 50 per cent or more of total municipal revenue.

3. The municipality's unpaid property taxes for the current year are greater than 10 per cent.
4. The municipality's ratio of current assets to current liabilities is less than 1:1.
5. The municipality has run a deficit budget for the previous two consecutive years, or five out of the previous 10 years.

Non-Financial

6. The municipality has experienced a decline in population over the previous 20 years.
7. The municipality has experienced a decline in non-residential assessment as a percentage of total municipal assessment over the previous 10 years (i.e., the non-residential proportion has declined to less than half its previous proportion, where the initial proportion was at least 10 per cent of total assessment).
8. The municipality has a qualified audit report or has an "absence of opinion."

The working group also agreed to a ninth measure that should be added for future use when meaningful data is flowing from the implementation of the new reporting requirements on tangible capital assets.

9. Capital investment as a percentage of total capital assets.

In the event that ministry contact with a municipality is triggered, this would normally take the form of a telephone inquiry by one of the ministry's advisory staff. Depending upon the outcome of this initial discussion, options for additional assistance could include an advisory visit, provision of mediation support, a municipal corporate review (currently under development by Municipal Affairs), or other help as appropriate. In addition to the follow-up from Municipal Affairs, the municipality may be asked to work through the self-assessment toolkit.

CAPACITY-BUILDING TOOLS

What capacity-building tools are required?

This is an important consideration in developing a long-term strategy for municipal sustainability. Capacity building is the process of developing, strengthening and maintaining the resources, processes, skills, and abilities that municipalities need to respond to the changing needs of the environment and the population they serve.

Capacity-building tools need to be broad enough to be relevant to a significant cross-section of Alberta's diverse municipal sector, while also providing the necessary flexibility to address community-specific needs.

Alberta municipalities are fortunate to have access to a wide variety of capacity-building tools through Alberta Municipal Affairs, the municipal associations, and other entities. Some municipalities are not always aware of the availability of these tools, or where to turn when support is needed. In addition, it was noted that there are currently gaps in some areas where additional tools would be beneficial.

The Municipal Sustainability Strategy Working Group therefore agreed to address capacity building on dual fronts through:

- the development of an inventory of existing capacity-building tools that are available to municipalities through various sources (e.g., Government of Alberta, municipal associations, etc.); and
- the identification of any significant gaps where additional support should be considered, along with options for addressing those gaps.

To address the first item, capacity-building tools currently offered by Municipal Affairs, municipal associations and various other entities were identified and included within a *Capacity Building Tool/Support Inventory* (see Appendix C). The tools in the inventory are categorized to match the eight broad indicators in the self-assessment questionnaire described previously in this report.

To address the second item, it was agreed that Municipal Affairs, the AUMA and the AAMDC will collaborate in the coming months to identify any significant gaps in capacity-building tools, and consider options for addressing these gaps through the development of new tools where reasonable and appropriate.

Collectively, the questionnaire and the inventory will comprise the key elements of an *Alberta Municipal Sustainability Self-Assessment Toolkit*.

The toolkit is intended to provide municipalities with a more holistic approach to identifying and understanding existing community assets and strengths, areas where improvement might be required, and possible tools to assist in making those improvements.

The toolkit would also fill a key gap in the current array of capacity-building tools available to municipalities. The toolkit will help municipalities:

- identify where and how they could improve;
- create a plan of action for building on strengths and addressing weaknesses, including the use of appropriate capacity-building tools; and
- followup and monitor for continued sustainability.

The ministry could also identify other uses for the toolkit; for example, to assist the municipality when they are being reviewed by the Ministry or an appointed official.

RESTRUCTURING

What restructuring processes should be used?

The final matter that the Municipal Sustainability Strategy Working Group was asked to consider pertains to the appropriate process to be used in instances where municipal restructuring is being contemplated.

The *Municipal Government Act* provides five alternatives for local government restructuring: formation, change of status, amalgamation, annexation, and dissolution.

The working group recognizes that its mandate focuses primarily on processes for addressing situations where existing municipalities are struggling to maintain viability and/or sustainability. As a result, the working group focused its attention on the current dissolution process, as this is the process most often used when municipalities face serious questions about their viability.

Municipal dissolution is a legal process of local government restructuring set out in the *Municipal Government Act*. In dissolution, a municipality gives up its incorporated status and becomes part of a bordering municipality. Dissolution may be a legitimate option for a municipality to consider when:

- the municipality cannot balance its revenues with its required expenditures;
- the municipality is no longer viable;
- vacancies on the municipal council cannot be filled; or
- the dissolution will lead to more effective or efficient municipal operations.

Dissolution most often involves a small urban municipality dissolving into a surrounding rural municipality. Residents of communities that are considering the possibility of dissolution have often become quite concerned about real or potential increases in the cost of services within their community. They also routinely express significant concerns about a possible loss of community identity in the event that dissolution does proceed, as well as potential changes in governance, services and service delivery.

Residents of the surrounding rural municipality are often concerned about the possible costs of replacing or upgrading deteriorating infrastructure within the urban centre, and the possibility of inheriting any debt the urban municipality may have incurred.

In addition to these local concerns, the working group identified a number of concerns related to the current dissolution process:

- the legislative requirement that a dissolution study **must** occur when requested means that the process may be used in instances where the viability of the municipality is not in question;
- the process is reactive rather than proactive, and thus provides minimal opportunity to address the municipality's challenges before viability is threatened;
- the process is not well understood by municipalities or their residents, and often results in uncertainty and division within the community;
- the potential receiving rural municipality is not involved in the initial start of the process when a municipality is considering dissolution; and
- the name itself, dissolution, is viewed by some as having negative undertones.

The working group also recognized some positive elements of the current dissolution process:

- the process recognizes the right of the electors to request changes and be heard;
- stability in tax rates and community governance may improve where a truly non-viable urban municipality dissolves into a surrounding rural municipality; and
- the process is undertaken by Municipal Affairs, providing for an external entity to ensure the process is carried out consistently and objectively.

The working group has concluded that the information and support to be provided by the proposed self-assessment toolkit could be of great benefit to many municipalities seeking to enhance their sustainability. In this sense, the toolkit may help some municipalities to avoid any need to undergo the dissolution process.

Nonetheless, the working group also acknowledges that, in some cases, the challenges to municipal viability may simply be too overwhelming. In those instances, a substantially revised restructuring process could assist communities in a more positive and proactive fashion than the processes currently in place.

The working group agreed that a proactive and holistic "Municipal Viability Process" should be developed to support those municipalities experiencing sustainability challenges, and to assist them in identifying and evaluating options for their future as a community.

The proposed Municipal Viability Process should focus on:

- finding solutions through a strong partnership of neighbouring municipalities, municipal associations and Municipal Affairs;
- more community engagement and involvement, including neighbouring municipalities;

- community development and community identity; and
- developing a suite of solution-focused options including, but not limited to restructuring, for a municipality whose sustainability and/or viability is in jeopardy.

PROPOSED MUNICIPAL VIABILITY PROCESS

The proposed Municipal Viability Process is comprised of:

- use of the municipal sustainability self-assessment toolkit;
- a Viability Review which would replace the current dissolution study process;
- an implementation plan;
- an evaluation of the implementation; and
- any further actions required flowing from the evaluation.

The process would be triggered by any of the three following circumstances:

1. Performance on key measures

If a municipality is flagged by Municipal Affairs as a result of its performance on the key measure criteria set out previously in this report, the municipality may be required to work through the toolkit. The municipality would first be contacted by the ministry to discuss the reason for the flags. The requirement for the municipality to work through the toolkit would be at the Minister's discretion.

2. Citizen petition for a viability review

If a citizen petition for a viability review is received by Municipal Affairs, it would be screened to determine if the petition request relates to the viability of the municipality.

If the petition request is linked to municipal viability, council would be required to work through the toolkit and report back to the Minister. If the petition request is not inherent to viability, the petitioners would be advised of other avenues available to them to address their concerns.

3. Voluntary decision by a municipality

A municipality can decide independently to work through the toolkit. On completion of the toolkit, if council believes the sustainability and/or viability of the municipality is in jeopardy and cannot be mitigated through use of the toolkit, it can pass a resolution to request a viability review. Municipal Affairs would review the municipality's completed toolkit to determine if a viability review is required. If the ministry determines that there are no municipal viability

issues, it can decide not to lead a viability review. If the ministry determines that there are municipal viability issues, it can agree to lead a viability review.

Viability review

The viability review should be undertaken by a Viability Review Team that is chaired by Municipal Affairs and includes representatives of all affected municipalities, the municipal associations, and potentially a small number of respected municipal leaders selected by the Minister.

The review would consist of three phases:

Phase 1: Analysis

The Viability Review Team completes:

- a detailed evaluation of the toolkit completed by the municipality; and
- a viability study focusing on a further examination of the financial, administrative and service impacts on all affected municipalities

Phase 2: Determination of viability

Once both documents are evaluated, a “viability determination” is made.

- If the municipality is clearly viable, the team recommends to the Minister that the viability review be concluded, with no further action required.
- If the municipality is trending towards non-viability, the team recommends to the Minister that the review proceed to the next phase.

Phase 3: Viability plan

This phase includes the following steps:

- Options for achieving viability are identified and developed through facilitation of inter- and intra-municipal discussion and engagement of citizens and community groups within the region.
- Implementation and transitions plans for the options are developed.
- Two general options are finalized:
 - Option A – Remain a municipality with the assistance of internal/intermunicipal actions. Option A could contain just one option or a suite of options.
 - Option B – Restructure.
- The council of the municipality under review would be required to vote on Option A or B.
 - If council votes to remain a municipality (Option A), they would proceed to the implementation and evaluation phases.

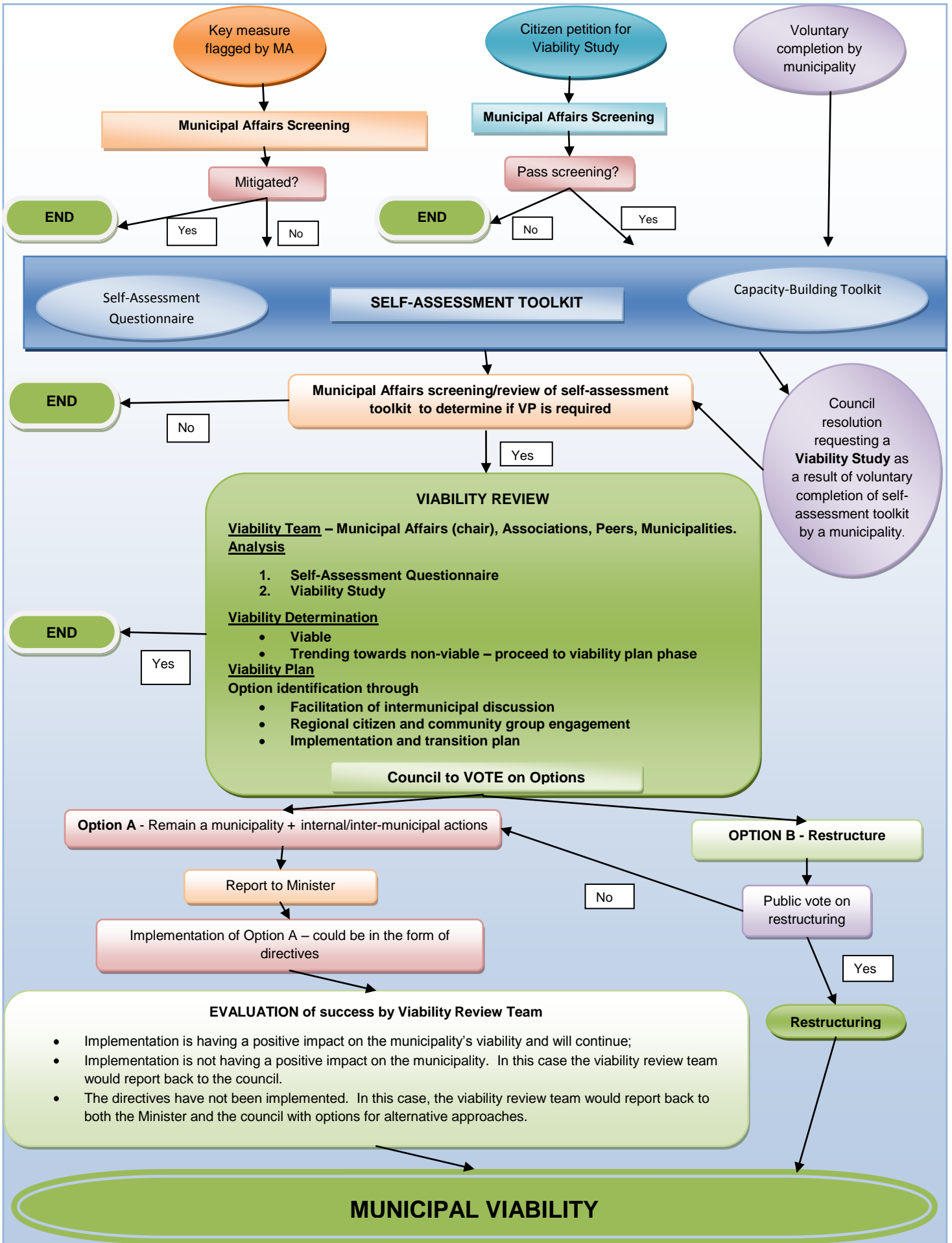
- If council votes to pursue restructuring (Option B), the citizens would then be required to vote on Option A or B. If the citizens vote to remain a municipality (Option A), council would proceed to the implementation and evaluation phases. If the citizens vote for restructuring (Option B), the Minister would recommend to Cabinet that the municipality be restructured.
- Where Option A is selected, either by council or by ratepayers through a public vote in favour of retaining the municipality, the Minister may issue directives to affected parties to ensure that the implementation plan is followed, within the time frame specified in the implementation plan.

At the end of the implementation time frame, the viability review team will evaluate and determine if the selected activities are having the intended effect on the municipality's viability. This evaluation will include some mechanism for obtaining appropriate citizen input. The possible outcomes may include findings by the team that:

- implementation is having a positive impact on the municipality's viability and will continue;
- implementation is not having a positive impact on the municipality. In this case the viability review team would report back to the council.
- the directives have not been implemented. In this case, the viability review team would report back to both the Minister and the council with options for alternative approaches.

A detailed flow chart outlining the proposed draft Municipal Viability Process is shown on the following page.

Municipal Viability Process



CONCLUSION

Achieving and maintaining municipal viability is both challenging and complex. The Municipal Sustainability Strategy Working Group recognizes that differing capacity levels and financial situations among different types of municipalities require that issues be addressed on a more proactive, holistic and co-ordinated regional basis. The working group also acknowledges the need to develop and support flexible and adaptable responses to different municipal and intermunicipal circumstances.

Nonetheless, the working group also acknowledges that, in some cases, the challenges to municipal viability may simply be too overwhelming. In those instances, a substantially revised restructuring process could offer communities a more positive and proactive approach than is provided by the current dissolution process.

With those basic concepts in mind, the working group has agreed upon the following key components of a strategy to improve the long-term viability of Alberta municipalities:

1. **Basic services**

- Adopt a listing of those services most commonly provided by municipalities, to provide Albertans with a general understanding of the various options for service delivery, including basic information on municipal best practices.

2. **Measures and indicators of viability**

- Adopt a listing of qualitative indicators that will feed into the development of a self-assessment toolkit.
- Adopt a listing of key quantifiable measures of municipal viability which will assist Municipal Affairs in identifying municipalities that may benefit from additional ministry support.

3. **Capacity-building tools**

- Provide an inventory of existing capacity-building tools, linked to a self-assessment toolkit.
- Identify any significant gaps and consider options for addressing these gaps through the development of new tools where reasonable and appropriate.

4. Municipal restructuring processes

- Amend legislation as necessary to replace the current dissolution process with a new Viability Review process.
- Require the completion of the self-assessment toolkit by the municipality as a prerequisite to any viability review.
- Provide meaningful outcomes from the viability review, to ensure that the municipal council and residents have realistic and practical options to choose from in addressing community viability and sustainability.
- Empower the Minister of Municipal Affairs to issue directives to ensure that recommendations from a viability review are implemented.
- Where restructuring does occur, ensure that provincial funding programs do not provide a financial disincentive to restructuring.

The working group is aware that the proposed viability process will need adjustments, modifications, evaluation and commitment from all stakeholders, especially during the initial applications. For this reason, the working group recommends that its report be revisited within five years of implementation to ensure that these recommendations are having the desired effect, and that any necessary modifications receive due consideration.

LIST OF APPENDICES

Appendix A - Membership of Municipal Sustainability Strategy Working Group

Appendix B - Municipal Sustainability Strategy Terms of Reference

Appendix C - Self-Assessment Toolkit