

MGA Review Discussion Paper

Service Provisions

This technical document is part of a series of draft discussion papers created by Municipal Affairs staff and stakeholders to prepare for the Municipal Government Act Review. It does not reflect existing or potential Government of Alberta policy directions. This document is the result of a careful review of what is currently included in the Municipal Government Act (MGA) and regulations, definitions of terms and processes, changes requested by stakeholders over the last 18 years, some highlights from other jurisdictions, and identification of potential topics for discussion during the MGA Review. This information will be used to prepare consultation materials as the MGA Review proceeds.

These discussion papers have been reviewed and approved by the MGA Stakeholder Advisory Committee, comprised of representatives from major stakeholder organizations: Alberta Association of Municipal and Counties, Alberta Association of Urban Municipalities, Alberta Rural Municipal Administrators Association, Alberta Chambers of Commerce, City of Calgary, City of Edmonton, and Local Government Association of Alberta.

The Government of Alberta is asking all Albertans to directly contribute to the MGA Review during online consultation in late 2013 and consultation sessions throughout Alberta in early 2014. This technical document is not intended for gathering stakeholder feedback, but to generate thought and discussion to prepare for the upcoming consultation. Public engagement materials will be available in early 2014. To learn more about how you can join the discussion on how we can build better communities, please visit mqareview.alberta.ca/get-involved.

Preamble



The *Municipal Government Act (MGA)* provides the legislative framework to guide the operations of municipalities in Alberta. The current *MGA* empowers municipalities with the authority and flexibility to provide services in the best interests of the community. The *MGA* Review will proceed along three major themes: *governance*; *assessment and taxation*; and *planning and development*.

This paper is one of 12 discussion papers exploring aspects related to the *governance* theme. It focuses on the municipal servicing options and requirements provided for through the *MGA*. The objective of each discussion papers is to

- 1) Outline the existing legislation,
- 2) Identify issues with specific aspects based on stakeholder requests
- 3) Look at how other jurisdictions are approaching these issues; and
- 4) Pose questions to help formulate future analysis of, as well as public and stakeholder engagement on the *MGA*.

Below is a list of the papers that relate to the governance theme:

- Municipal Powers
- Provincial Powers
- Municipal Structures
- Municipal Governance
- Municipal Administration
- Financial Administration
- Liability and Risk Management
- Service Provisions
- Controlled Corporations
- Regional Service Commissions
- Compliance and Accountability
- Special Areas and Improvement Districts

Service Provisions



For the purposes of this paper, *services* refer to the infrastructure and programs that comprise a municipality's utility, emergency, recreational and cultural networks, while *level of service* refers to the standard of service provided. The *MGA* defines several municipal purposes, which include providing "*services, facilities, or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality,*" and "to develop safe and viable communities". This wording enables a municipal council to consider a broad spectrum of services and allows the level of service provided to evolve with a municipality's needs. With the exception of road maintenance, no specific services are identified in the *MGA* as services that must be provided by a municipality.

Services may be delivered through:

- the municipal administration;
- the contracting of private service delivery, rural gas, electric, or water co-ops;
- intermunicipal partnerships such as intermunicipal agreements or authorities;
- regional services commissions; or
- corporations controlled by one or more municipalities.¹

Councils decide, by bylaw, how services will be provided – typically a range of hard services such as water, wastewater and solid waste management, and soft services such as recreation, fire protection, and cultural services are provided. Service provision may also be impacted by regulatory requirements of other legislation such as the *Public Lands Act*, the *Environmental Protection and Enhancement Act*, and federal laws.

The delivery of services to citizens is likely to be the largest component of a municipality's budget. Services are usually funded out of general revenue, although municipalities have the ability under the *MGA* to create special taxes², apply levies and charge fees to raise funds for specific services within their boundaries. Municipalities usually charge fees for utilities and may also charge user fees for recreational, cultural, and other services.

¹ Separate discussion papers have been prepared on two common organizations used for service delivery: regional service commissions and municipally controlled corporations.

² Separate papers have also been prepared on Fees and Levies, and Taxation (e.g., special taxes).

Discussion Points

Below are some identified discussion topics and questions based on a review of requested amendments, cross jurisdictional research and issues raised by stakeholders.

The requested amendments discussed below draw upon an inventory of requests received by the Province over the past 18 years. It important to note these requests:

- i) do not include all the requests Municipal Affairs has received in the past 18 years;
- ii) do not necessarily represent the views of most Albertans;
- iii) do not necessarily apply to all municipalities; and
- iv) are categorized by policy topic, and have not been evaluated or ranked by number of requests received.

1. Service Choices

Background

The *MGA* allows each municipality to determine its own servicing needs and municipalities are generally successful in providing an appropriate level of service within the context of the revenues and resources available. In some instances, however, citizen expectations and local wishes may pressure a council to commit to a level of service beyond the municipality's administrative capacity or technical knowledge to manage. Consequently, the municipality's decision to offer a specific service or increase the level of servicing may affect the resources it requires to provide other services, including resources it needs to mitigate or manage local risks effectively.

Some municipal councils may seek out efficiencies by contracting with the private sector or entering into joint service-delivery arrangements with their municipal neighbours. These arrangements transfer the financial and operational aspects of service provision (including the risks) from the municipality to a regional service commission, controlled corporation, private provider, or rural co-op. While greater efficiencies may be achieved, the municipality may have less direct control over financial and operational decisions related to service provision. Shifting operations to a regional service commission, controlled corporation or other service provider can facilitate service provision but it may also limit municipal awareness and input into key aspects of service delivery.

Cross-jurisdictional Research

- The municipal acts in Canada approach municipal servicing provisions in one of two ways: through legislation that explicitly defines the services that may be provided (e.g., New Brunswick and Manitoba), or in general permissive terms (e.g., Saskatchewan and Ontario).
- In British Columbia, Ontario, and Quebec, regional municipalities have different servicing responsibilities (e.g. regional public transit or solid waste management) than neighbouring urban municipalities.
- In Nova Scotia, the *Municipal Government Act* of that province allows a municipality to establish different service levels for distinct rural, suburban or urban areas.

Stakeholder and Legislative Amendment Requests

- Municipal Affairs has received calls from citizens expressing concern over the construction costs and the associated taxes implications of municipal projects such as recreation centres, museums, and theatres.
- Municipal Affairs has received calls from citizens expressing concern with the types and levels of service their municipality is, or is not providing (e.g., piped water, wastewater, paved roads).

2. Sustainability of Services

Background

The MGA grants municipalities a large degree of flexibility regarding service delivery, by allowing municipalities to set their own servicing standards, requirements and fee structures. For some municipalities, the challenge of choosing and delivering services in a sustainable manner can be considerable. Permanent service infrastructure, such as bridges, water and sewer mains, and other infrastructure, are costly to build, operate and sustain. In providing utilities to their communities, some municipalities subsidize the costs of utility services and may not fully recover their capital and operating costs over time. Municipalities are able, under the legislation, to set municipally operated service rates within their boundaries with less supervision by the Alberta Utilities Commission than is required for private corporations. Some municipalities, without direction regarding levels of service offered or fees charged, may be providing services they are not able to sustain in the long term.

Cross-jurisdictional Research

- Manitoba's Municipal Board may review the tax and fee structure for a municipality's local improvements and special servicing proposals. This may occur when a minimum of ten percent of tax payers subject to those costs file an objection with the board.
- Ontario's *Municipal Act* requires municipalities to report on a series of performance measures intended to help local taxpayers, elected officials, and administrators assess the value of local service delivery.
- Ontario is tying some grant funding to municipalities producing asset management plans.
- Nova Scotia allows councils to set up community committees that monitor the provision of services to their areas and make recommendations on appropriate service levels.
- Queensland, Australia, allows for special rates and service charges to be levied based on the degree of benefit a parcel of land or person receives from the service. For example, a car wash may benefit more from piped water services than a neighbouring stationary shop and may therefore be subject to a higher service charge.

Stakeholder and Legislative Amendment Requests

- Some municipalities have indicated they are contemplating the shut-down of their water treatment and supply systems due to unmanageable operation and servicing costs.

Discussion Questions



1. *What services, if any, should a municipality be required to provide? What services, if any, should a municipality not be providing?*
 - a) How, if at all, should the scope and level of servicing vary based on municipal structure type or local context (e.g. geographic, social or financial factors)?

2. *What basic servicing standards, if any, should be defined in the MGA?*
 - a) How should municipal asset management plans, mandatory public performance measures, public accountability measures or mandatory reviews incorporate municipal services?
 - b) What level of oversight should a municipality retain when service delivery is transferred to a regional service commission, a municipally controlled corporation, or a non-municipal service provider?