Assessing the Viability of Smaller Municipalities: The Alberta Model

Kimberly Jones, Mukesh Khanal, and Kevin McQuillan
# TABLE OF CONTENTS

- EXECUTIVE SUMMARY ........................................................ 1
- POLICY RECOMMENDATIONS .................................................. 2
- INTRODUCTION .................................................................. 2
- THE CHALLENGES FACING SMALLER MUNICIPALITIES ............. 2
- RESPONSE OF HIGHER LEVEL GOVERNMENTS ...................... 3
- MANITOBA .................................................................. 4
- RESOURCES ................................................................ 5
- NEW BRUNSWICK ........................................................... 6
- ENGAGEMENT .................................................................. 6
- RESULT ........................................................................... 7
- RESTRUCTURING PROCESS AND TRANSITION ....................... 7
- THE STATUS QUO: A QUICK NOTE ABOUT SASKATCHEWAN .... 9
- ALBERTA’S APPROACH ...................................................... 10
- HOW ARE VIABILITY REVIEWS TRIGGERED? ...................... 10
- COSTS ........................................................................... 11
- VOTE OF THE ELECTORS ................................................... 11
- SOCIAL AND ECONOMIC FACTORS AFFECTING VIABILITY ..... 11
  - Demographic Factors ..................................................... 12
  - Infrastructure Challenges ............................................. 13
  - Municipal Tax Rates ..................................................... 16
  - Non-payment of Taxes ................................................ 18
- MONITORING THE VIABILITY OF MUNICIPALITIES USING THE ALBERTA MODEL .............................................. 19
  - Major Factors Influencing Viability .................................. 20
- THE POLICY RESPONSE TO MUNICIPALITIES IN DECLINE ................................................................. 21
- APPENDIX 1 ................................................................. 22
  - Case Studies of Viability Reviews .................................... 22
  - Town of Grande Cache .................................................. 22
  - Village of Halkirk ......................................................... 24
- APPENDIX 2 ................................................................ 27
  - Revenue and Expenditure Data for Reviewed Municipalities ........................................................................ 27
- REFERENCES ............................................................... 29
- ABOUT THE AUTHORS ....................................................... 32
- ABOUT THE SCHOOL OF PUBLIC POLICY .......................... 33
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EXECUTIVE SUMMARY

Small towns, villages and rural areas in Alberta face serious fiscal challenges due to economic and social trends that have seen their populations stagnate or decline while job opportunities and young people leave for bigger cities. While other provinces have opted for sweeping reorganization to local governments, including amalgamation, annexation or the establishment of regional forms of government, Alberta has chosen a case-by-case approach to its municipalities through the use of viability reviews.

Besides the exodus of people and businesses, small municipalities must also grapple with low birth rates and the attraction of big cities for immigrants looking at places to settle. Among the towns the ministry has reviewed, only one grew in population between 2016 and 2021. The majority of villages reviewed saw a drop in population and in nine communities, the population’s median age was over 50.

The vast majority of Alberta’s 332 municipalities are in good financial shape. Since the viability review process was instituted, 26 municipalities have undergone reviews, with 13 voting to dissolve and become hamlets in their counties or municipal districts. Dissolution, however, is not a cure-all, because it merely transfers the municipality’s problems to the entity that absorbs it. Thus, Alberta Municipal Affairs’ involvement with these communities must be an ongoing one which involves supporting and enabling communities to track and improve their viability and help them plan for improvements.

The province uses a number of municipal indicators to determine which communities are struggling and the ministry needs to pay attention to those municipalities that consistently score below the minimum on those indicators but have not sought a viability review. The ministry also needs to prioritize a focus on the consequences of dissolution, especially the costs imposed on the municipality that takes over the governance of a faltering community.

Smaller Alberta municipalities can be caught in a fiscal bind because their budgets are tight and their revenue is limited, given their small and often declining population base. Yet costs for providing services, maintaining roads and other infrastructure continue to rise, while increasing taxes to fund these necessary expenditures frequently spurs pushback from local taxpayers. This situation pushes communities into deficits and makes the area less attractive to residents and potential newcomers. Non-payment of taxes also contributes to a lack of revenue in smaller municipalities.

One problem dissolution brings is the perceived unfairness of the municipality’s tax burden being transferred to the residents of the region or area that newly governs it. Thus, a potential solution to ward off dissolution for struggling communities could be to stanch the flow of tax revenues to the government which target education and keep that money in the municipality to pay for infrastructure maintenance.

Alberta’s viability review process is an excellent way for the province to monitor and address the fiscal struggles of individual municipalities. More must now be done to fine-tune the post-dissolution process so that Alberta Municipal Affairs can equitably address the governance problems that follow.
POLICY RECOMMENDATIONS

• Alberta Municipal Affairs should continue its excellent municipal indicator reporting and viability review processes in order to continue supporting and enabling communities to track and improve their viability and, where necessary, make plans for improvement;

• Attention should be paid to the municipalities consistently scoring below the minimum on a number of the municipal indicators yet have not requested a viability review. The number of viability reviews seems to have slowed, despite evidence that a number of communities are struggling;

• The relationship between towns, villages and the municipal districts and counties in which they are located will be increasingly important. More explicit attention to the consequences of a dissolution, and particularly the costs that will be borne by the receiving municipality, should be considered a priority; and

• The fate of communities that are struggling to meet the directives from the ministry following a vote against dissolution remains a challenge. The ministry must consider a plan of action if, despite the best efforts of the residents and their leaders, problems continue to accumulate. How best to guide residents to that conclusion requires further discussion.

INTRODUCTION

A confluence of economic and social trends has created significant challenges for smaller municipalities in jurisdictions across the advanced industrial societies. Population stagnation or decline and the concentration of major industries in metropolitan centres have weakened the economies of smaller communities and frequently triggered fiscal crises. This leads to serious challenges not only for the local communities but for other levels of government. Faced with requests for financial assistance, provincial/state or national governments may explore systemic answers to the problems of smaller municipalities, including the introduction of new forms of regional governments.

In this paper, we will review the idea of municipal viability and examine the approaches used in several jurisdictions, with a special focus on the system of viability reviews Alberta uses. We will then draw on data collected by Alberta’s Ministry of Municipal Affairs to compare communities that have undergone a viability review with other municipalities in the province. Our goal is to identify the issues that threaten the viability of municipalities. Finally, we will conclude with thoughts about the effectiveness of Alberta’s viability review process and recommendations for improvement.

THE CHALLENGES FACING SMALLER MUNICIPALITIES

Small towns, villages and other rural areas have been challenged by profound economical changes. Manufacturing and primary industries that have been the lifeblood of most small communities have experienced significant change. The growth of international trade has resulted in the relocation of much manufacturing activity that had previously been located in small and mid-sized cities and towns to countries in the developing world. In facilities still located in countries like Canada, increasingly automation has greatly reduced the size of the workforce. Primary industries in developed countries have faced their own challenges. Environmental concerns and opposition from communities where the resources are located have sometimes inhibited new investments and limited employment opportunities in the affected communities. Many smaller communities have seen their major employers close up shop or significantly reduce
operations. At the same time, the fastest growing parts of the economy are centred in major urban areas. Technology, finance, communications and advanced education are thriving and continue to draw migrants, especially younger people, from smaller communities.

A result of these changes is pressure on local communities to provide the services that residents need. Populations that are aging and often in decline and the loss of industries, commercial operations and public services can lead to severe financial pressures for municipal governments. They can also make it difficult for communities to attract people ready to serve as mayors, councillors or administrative personnel. Towns, villages and other rural communities in many advanced economies across North America, Europe, Australia and New Zealand are facing these issues, which threaten their ability to survive as independent municipalities. The situation in Alberta is not unusual, but the process adopted to address the issues faced by smaller municipalities is quite distinct. We will briefly examine the approaches that regional and national governments have taken in response to this challenge. Then we will explore in more detail the approach adopted by Alberta and the experiences of communities that have undergone a viability review.

RESPONSE OF HIGHER LEVEL GOVERNMENTS

The struggles of local governments to deal with demographic decline and fiscal stress often attract the attention of regional and national governments. Municipal governments are likely to reach out to other levels of government for assistance. In considering such requests, the responsible officials will want to determine whether it is a rare or unique situation or rather a warning signal that indicates looming problems in a significant number of communities. Particular issues affecting a small number of communities may be resolved through a targeted program of support, though such programs often raise concerns about equity from other communities. However, if the cases that come to the ministry’s attention appear to be the tip of the spear, suggesting a number of similar communities may follow the same path, a different response is likely required.

The responsible level of government uses two broad categories of response. One involves changes in the powers or responsibilities of local governments. Local governments often complain about “downloading” — passing responsibility for services from the higher level of government to the local level. Regional or national governments may instead choose to relieve local communities of the burden of supporting one or more services. In the past, many jurisdictions saw elementary and high school education as a local responsibility but they now consider it to be the responsibility of provincial or national governments. A second approach might involve granting to local governments the power to levy taxes previously gathered by a higher level of government or to institute fees for particular services.

What we might call the redistribution approach can certainly succeed in some settings. Often, however, local communities in a jurisdiction have very different levels of resources. Changes in the distribution of responsibilities or in revenue collection may be unnecessary for better-off communities and yet not sufficient to address the problems faced by the smallest, least well-off localities. This dilemma has led a number of regional and national governments to instead consider a reorganization of local government. This may mean merging a number of communities through annexation or amalgamation of villages and towns or the introduction of a new form of regional government that either replaces or supplements the existing local authorities (Spicer 2022).1 Amalgamation (forced or otherwise) is often seen as a way to save money and improve efficiencies; however, it is important to note that there is limited evidence to support the view that

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1 Spicer (2022, 5–6) includes an overview of the regional governance models in B.C. and Ontario.
amalgamation leads to greater efficiency and/or lower costs. Miljan and Spicer (2015, 1) note that “… research has found that consolidation fails to produce promised costs savings, rarely leads to more efficient services delivery, and reduces the ability of citizens to be involved in the life of their local governments.” Agrawal and Gretzinger (2023) were more cautious in their judgment on the potential benefits of annexations and amalgamations but did warn that such strategies are not a magic cure for the problems smaller municipalities face; governments should beware of adopting a “one size fits all” approach when considering change to existing municipal structures.

Faced with problems with finances or governance in smaller communities, other orders of government in Canada and other countries have pursued different forms of reorganization and have gone about it in quite different ways. Some have chosen what might be called the “big bang” approach. Often, after pursuing more limited reforms to assist local communities, provincial or national governments decide upon a major reorganization that affects all or almost all local communities. Ontario, for example, moved from a system of county government to new regional municipalities (Spicer 2022). Two Canadian examples of dramatic change to municipal systems have occurred in Manitoba and New Brunswick. Given the importance of these approaches in the Canadian context, we turn to a closer look at the changes that have been made.

MANITOBA

In 1971, “one of Canada’s first large-scale urban amalgamations occurred in Manitoba …” which “… consolidated the two-tier Metropolitan Corporation of Greater Winnipeg into a single tier ‘unicity.’” This resulted after 11 years of two-tier government created by the provincial government in 1960 “… motivated by a desire to end inter-municipal bickering and promote fiscal equity …”2 (Miljan and Spicer 2015, 4–5).

While five voluntary amalgamations took place between 1997 and 2012, most recently the province mandated amalgamations for communities under 1,000, and although the process was somewhat self-directed by local communities, it was a top-down directive from the province. Some communities felt that the province took a more active role than it should in identifying which communities should amalgamate (Ashton, Bollman and Kelly 2015).3

The province announced in late 2012 that communities of under 1,000 would be required to come up with amalgamation partners by the end of March 2013, an amalgamation plan by the end of 2013 and that the final amalgamation process would need to be completed prior to the next election in October 2014. An amalgamation guide was provided in January 2013 and seminars were provided in February 2013. Some research to support municipalities in their decision-making was released around the same time as the March deadline for amalgamation partners to be identified. It does not appear that any public engagement or targeted engagement with administrators and councils was completed prior to the announced initiative or during the process, though there was an opportunity for affected communities to speak at a committee of the legislature in March 2013 (Ashton, Bollman and Kelly 2015, 128–130).

2 For the most part, the amalgamation of Winnipeg has remained intact, except for the de-amalgamation of Headingley, which resulted from a review of Winnipeg’s municipal government in the 1980s. The review was initiated in part due to Headingley’s assertion that it did not belong in the new city of Winnipeg and the difficulty of serving its residents to the same level as the rest of the city (Miljan and Spicer 2015).

3 “The Association of Manitoba Municipalities filed legal action … against the provincial government for its plans to force communities with fewer than 1,000 residents to amalgamate” (Lambert 2013). See also: Association of Manitoba Municipalities (2015). The suit claimed that the provincial government was trying to dictate which communities should amalgamate despite initial direction that this would be up to the communities themselves. The court dismissed the suit in March 2014 (Vlex 2014).
The resources provided to local communities came mostly in the form of guides, research and staff/consultant time. Some funding was eventually provided in 2015, with an announcement that $1 million in funding would be available to help amalgamated communities with transition capital costs. Municipalities could apply for funding late in 2015 (Association of Manitoba Municipalities 2015).

Ashton et al. (2015) noted that while the heavy lifting had been done regarding amalgamations, lots of work was still happening on staffing changes and levels, etc. Some newly amalgamated communities also were still below the 1,000-person threshold and the authors suspected that more co-operation would ensue (whether through regional co-operation agreements or further amalgamations). It is also interesting to note that the NDP government, which introduced the changes, lost the 2016 provincial election, resulting in a PC government, though the New Democrats have since won the 2023 election (Wikipedia 2024a).

RESOURCES

The Manitoba Municipal Relations website includes a section of Municipal Advisory Services with resources for new council members, hiring chief administrative officers, community development corporations and municipal codes of conduct. There is an annual statistical information report based on information from municipalities’ audited financial statements, which includes primarily financial information plus some population statistics (Manitoba Municipal Relations n.d.a). The last report is from 2018 and presents the information without commentary regarding the health of municipalities (financial or otherwise). The Association of Manitoba Municipalities (AMM) used to provide a resource, the Municipal Health Checklist, for local communities to assess their own health in areas such as population, finances and local interest and support (Association of Manitoba Municipalities n.d.). These metrics were used in part to come up with indicators for Manitoba’s amalgamation process and no longer appear to be featured on AMM’s website.

There is also a section on the Municipal Service Delivery Improvement Program (MSDIP) with some final reports from 2021/2022 (Manitoba Municipal Relations n.d.b). The program is based on application and provides “financial support to complete value-for-money service delivery reviews of programs and services.” There must be a council resolution to request the review. A list of projects approved for the 2022/2023 cycle is now available on the MSDIP site. This program appears to give local municipalities a chance to review certain aspects of their health and encourage better collaboration with neighbours and may lead to further discussions about regional agreements or amalgamations (Manitoba Municipal Relations n.d.b). The reviews are done by third parties from a pre-qualified list and costs will be billed directly to the province. Many of the reports are focused on a particular facet, such as a review of the best way to provide particular services. Some are broader, such as that produced for the Municipality of Bifrost-Riverton (MBR), which focused on a “value-for-money service delivery review of its administration’s financial functions, policies, processes, and practices” with a view to assessing its financial processes and sources of revenue and to identify “strengths, gaps, and required improvements” (Municipality of Bifrost-Riverton n.d.). The consultant team worked with council and administration on the review. The consultation section states that internal stakeholders were consulted, including the CAO, ACAO and four members of council (all were invited, but only four responded). No public feedback opportunities appear to have been available. No information was found as to any changes undertaken by municipalities as a result of these reviews (MNP Consulting Services 2022).
NEW BRUNSWICK

New Brunswick is currently undergoing a huge, largely top-down amalgamation process based on the white paper “Working Together for Vibrant and Sustainable Communities,” published in November 2021 (Province of New Brunswick 2021). The review and subsequent changes were triggered by the fact that almost one-third of New Brunswickers were without elected local government representation as they lived in local service districts and that there were a very large number of local entities for the size of the province (208 of which had fewer than 1,000 people) (Province of New Brunswick 2021). The provincial government stated in the report that the local government system needed to change in order to “… meet the many current and future challenges facing New Brunswick’s communities and regions” (Province of New Brunswick 2021, 5) and focused on the need for additional collaboration rather than competition among local communities.

ENGAGEMENT

The 2021 report came following the launch of a process for local governance reform. A discussion paper was released first which included four pillars: “structure, regional collaboration, land use planning and finances.” Engagement sessions were held virtually with targeted stakeholder groups such as land-use planners and developers, and post-secondary education, agriculture and environment, students and multicultural agencies. The sessions were held virtually due to COVID-19 restrictions. In May, public sessions (two in English and two in French) were held, focusing on the finance, regional collaboration and land-use planning pillars. In June, 12 sessions were held with local elected officials, administrators, local service district committee members and regional service commissions. Finally, an online survey was available for the public to voice its views to the reform team (Province of New Brunswick 2021, 8). A summary of feedback was released following this engagement period. The summary noted widespread agreement on local governance reform, though there was limited agreement on the best path to follow. Among the most commonly expressed views were:

• Too many entities for the province’s size and population;
• Regional collaboration is important;
• A “one size fits all” approach should not be used;
• Changes needed in the property tax and assessment system to make it more fair, clear and transparent;
• “Enhancements to land use planning needed to support investment and growth …” balanced with natural resources and environmental protection; and
• The desire for locally elected representatives.

When COVID-19 restrictions loosened, the minister launched 11 world café-style engagement sessions primarily in rural areas, designed to provide an opportunity for those who were not able to participate virtually. Five sessions were held in person; however, six went back to virtual due to reinstated restrictions (Province of New Brunswick 2021).
RESULT

As a result of the review and engagement process, the provincial government concluded that “strategic restructuring” would be undertaken including “boundary and governance changes” (Province of New Brunswick 2021). Criteria presented in “Building Stronger Local Governments and Regions,” a report from 2008, were used to determine viable restructuring projects. The criteria suggested “… a minimum of 4,000 people or $200 million in tax base is needed, recognizing that some local entities could be viable without meeting these targets” (Province of New Brunswick 2021, 11). They also pointed to the need to consider current alignment of boundaries, language profiles, school catchment areas, “communities of interest,” boundaries based on natural conditions, current service areas, costs and sharing arrangements, the differences between urban and rural conditions and population movement patterns.

Although it seems much thought was given to the uniqueness of local entities and regions in making the final decisions regarding restructuring, no additional information is provided regarding each local area and what went into each decision. This left some local residents wondering how the above criteria were analyzed and prioritized.

The restructuring comprised several types of structure change, including:

• “Incorporation of several local service districts into newly formed rural communities”;

• “Merging of local governments together along with local service districts, or portions of them, to form larger local governments”;

• “Annexation of local service districts, or portions of them, with an existing and adjacent local government”; and

• “Formation of 12 rural districts for those local service districts or portions of local service districts not included in the above-mentioned restructurings” (Province of New Brunswick 2021, 11).

These actions would result in a change from 104 local governments and 236 local service districts to 78 local governments and 12 local service districts, reducing the proportion of the population in local service districts from 30 per cent prior to restructuring to just eight per cent after.4

RESTRUCTURING PROCESS AND TRANSITION

The province established transition teams with facilitators to assist in the transition process. The facilitators would also be responsible for working with representatives from the community to determine the type of municipality and name following amalgamation in order to address concerns about community identity associated with a name change. The facilitators would also be tasked with assisting in changes to regional service commissions.

Rural districts would still have responsibility for local service delivery and roads in the areas that were local service districts would continue to be the province’s responsibility even if the area were partly or wholly merged with another type of municipality.5

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4 About one per cent of the population of New Brunswick live in First Nations communities and are not included in these numbers or governance structure.

5 “A rural district is a new structure for New Brunswick that brings together former local service districts (LSD)— or parts of them—that are outside local government boundaries” (Province of New Brunswick n.d., 2). They were created as part of the province’s amalgamation initiative.
A number of issues were left for future work. Among the most important:

- An “independent commission” that would oversee local governments and “review, assess and possibly rule” or “make recommendations on matters affecting local governments” (Province of New Brunswick 2021, 15); and

- Addressing challenges with the current property tax structure. “Additional taxation reform would be best examined once the restructuring and regional collaboration efforts are underway” (Province of New Brunswick 2021, 27).

Much time and thought went into the process and the final report; however, the implementation timeline was aggressive considering the amount of work to be undertaken by local entities. It was expected that the actual restructuring, including the choice of type and name of municipality and elections in many areas would be completed by the end of 2022. Revised regional service commissions would also be set up by January 2023 (Province of New Brunswick 2021, 32–34).6

**Figure 1: Local Governance Reform Timeline in New Brunswick**

![Local Governance Reform Timeline in New Brunswick](image)

Source: Province of New Brunswick (2021, 34)

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6 The changes to regional service commissions were to “… adjust representation … to reflect” the changes. “… all local governments and rural districts will be represented on the regional service commission board and the commission will receive an expanded mandate to ensure regional services are planned and costs shared regionally.” Voting rules would also be amended (Province of New Brunswick n.d., 2).
While some concerns were raised publicly in early 2022 regarding timelines and details of the changes (Ibrahim 2022), a change in sentiment in one community was apparent in early 2023 after new local leaders were elected (Cox 2022) and at least one example of conflicts resulting from the ongoing changes in structure in merged communities has been reported (Samson 2023). Time will tell if most newly formed municipalities move through the transition without backlash and whether there will be any future requests for changes or de-amalgamations. The changes to the responsibilities and powers of regional service commissions will also likely lead to some controversy and potential changes.

THE STATUS QUO: A QUICK NOTE ABOUT SASKATCHEWAN

Saskatchewan is the sixth largest province in Canada with a population of about 1.1 million in the 2021 census (Wikipedia 2024b). Saskatchewan has a very large number of municipalities, over 700, many of which are smaller than 100 people (MacPherson 2020) and have many of the same challenges as other provinces.

A task force in 2000 suggested a package of changes to address what a task force member called “‘lost opportunities’ resulting from the mismatch between the limited capacities of smaller municipalities and the regional nature of ‘economic communities’” (Norton 2020). The proposed changes were about much more than amalgamations, but the prospect of reducing the number of communities dramatically from 800 to fewer than 125 raised a backlash from local communities and their advocacy organizations. The final report from the task force muted its recommendations, suggesting that there would be a range of possible options including voluntary amalgamations and much smaller scale change (Norton 2020). The government of the time shelved the report and took no further action (MacPherson 2020).

It appears that since 2000, Saskatchewan has focused on providing resources and guidelines to municipalities to ensure their own sustainability rather than any large-scale change. These resources include information regarding municipal co-operation and voluntary amalgamation (Government of Saskatchewan n.d.a.) as well as a self-assessment tool and, interestingly, a link to the Alberta government’s municipal sustainability resources (Government of Saskatchewan n.d.b.).

Without a structured process to work through which communities are or are not viable and alternative structures, it is likely that the high number of municipalities will remain high. Meanwhile, conversations continue regarding the possible need for change (MacPherson 2020; Hill and Modjeski 2019).
ALBERTA’S APPROACH

Alberta is unique among provincial governments in having a set viability review process. In 2010, the government convened a Municipal Sustainability Strategy Working Group\(^7\) to give advice to the minister of Municipal Affairs on improving the viability of Alberta 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 (Municipal Sustainability Strategy Working Group 2010, 1).

The viability review process was an outcome of the working group. The process allows for a thorough review of the situation in communities facing significant challenges and is designed to engage the local population in the review process through direct public engagement and, ultimately, a vote of electors on their community’s future.

Since 2014, 26 municipalities in Alberta have undergone extensive viability reviews overseen by the Ministry of Municipal Affairs.\(^8\) Thirteen of these municipalities — 11 villages and two towns — voted to dissolve. Thus, they ceased to be autonomous municipalities with their own local government and became hamlets in the surrounding county or municipal district. Eight other communities voted to retain their existing status as towns or villages with a locally elected council. Three communities went through the viability review process and remained autonomous communities but did not hold a vote on the question. One had a council vote to remain an independent community, and two resulted from decisions made by the minister of Municipal Affairs (Alberta Municipal Affairs 2022). As of early 2024, three viability reviews are listed on the Municipal Affairs viability review website — the Village of Delia, the Village of Bittern Lake and the Summer Village of Ma-Me-O-Beach (Alberta Municipal Affairs 2024).

HOW ARE VIABILITY REVIEWS TRIGGERED?

The process allows a municipality to request a provincial review, including a full infrastructure audit and an assessment of viability in areas such as sustainable governance, administration and operations, services and community well-being. The requests usually are initiated by a resident petition\(^9\) or a motion from council, although the minister has initiated a few.

The municipal council/administration is responsible for engaging a firm to complete the infrastructure audit and a viability review team does the full reviews in co-operation with municipal elected officials, administration and surrounding municipalities. A report is prepared and following community information sessions and engagement a vote of the electors is usually held on the question of remaining an independent community or being dissolved into a neighbouring municipality (usually into a municipal district or county as a hamlet) (Alberta Municipal Affairs 2024).

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\(^7\) Including ABmunis then AUMA, Alberta Municipal Affairs, RMA then Alberta Association of Municipal Districts & Counties, and the Alberta Rural Municipal Administration Association, the Local Government Administration Association and the Association of Summer Villages of Alberta.

\(^8\) The Village of Cremona and the Town of Swan Hills were reviewed in 2013. Both were considered viable and no votes on change in status were held nor were directives issued. Thus, we do not include them with the reviewed municipalities in most of the analysis that follows.

\(^9\) A valid petition should include signatures from 30 per cent of the eligible voters (50 per cent for summer villages).
COSTS
The costs of a review will vary depending on the municipality’s specific conditions. Municipal Affairs and the municipality will share the costs of the review, with Municipal Affairs responsible for:
• Staff time for research, writing, printing and distribution of the viability review report;
• The costs of engagement and information meetings with the public; and
• The infrastructure audit.

Municipalities are responsible only for their staff time and resources to compile information and otherwise participate in the review process as well as costs for any additional council meetings (Alberta Municipal Affairs 2024).

VOTE OF THE ELECTORS
Once the report has been completed and shared with the public, a vote of electors will be held. The choice is between:
• Remaining an independent municipality and addressing the shortcomings identified in the viability review; or
• Dissolving and becoming part of a neighbouring municipality.

“Depending on the outcome of the vote, the minister will either issue a ministerial directive or recommend municipal dissolution to the cabinet, who will make the final decision to dissolve the municipality” (Alberta Municipal Affairs 2024).

If the municipality does not dissolve, council will be responsible for reporting progress on any directives issued for the next five years. If progress is not made on the directives, the minister may require further action, including another viability review or other interventions (Alberta Municipal Affairs 2024).

SOCIAL AND ECONOMIC FACTORS AFFECTING VIABILITY
The Ministry of Municipal Affairs gathers a large amount of data on the social and financial situation in Alberta’s municipalities. We draw on this information, as well as data from the Census of Canada, in an effort to identify some of the factors that challenge the viability of local communities.

We begin the analysis by dividing the towns and villages of Alberta into four categories:
• Dissolved: Those that have undergone a viability review and dissolved;
• Directives: Those that have been reviewed but retain their municipal status and received directives to improve their viability;
• Flagged: Those that the ministry has flagged as falling below the standards on the Municipal Indicators; and
• Unflagged: Those that have not been reviewed or flagged.

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11 As only towns and villages have been the subject of viability reviews, the analysis focuses on these municipal types; however, a number of summer villages and municipal districts have been flagged for their performance on various indicators.
12 The ministry uses 13 Municipal Indicators. “If a municipality flagged a critical indicator, ‘auditor outcome’ or ‘ministry intervention’, or 3 or more of the 11 non-critical indicators for 3 consecutive years, ministry staff may contact them to discuss additional support that may be needed.” See: https://www.alberta.ca/municipal-indicators#jumplinks-0.
DEMOGRAPHIC FACTORS

The first question we explore is population change in Alberta’s towns and villages. As an earlier paper in this series demonstrated, slower growth and population aging are common, especially across the province’s villages; however, as the analysis below reveals, there are significant differences between the towns and villages that have undergone a viability review and those that have not (McQuillan and Laszlo 2022).

As only four towns have been subject to a viability review (Alberta Municipal Affairs 2022), we do not present the full results of the analysis by category; averages based on just four cases can fluctuate considerably based on change in one community. However, we can draw some conclusions about the situation in the towns that have had a review versus those that have not. The four that have been reviewed — Swan Hills, Grande Cache, Granum and Manning — are all smaller towns. Grande Cache, with a 2016 population of 3,571, was the largest of the four by a good deal. The average size of the four was just 1,363 in 2016 and that declined to 1,193 by 2021. By contrast, towns that have been neither reviewed nor flagged averaged 4,786 in 2016 and almost 5,000 by 2021. Their populations were also younger, with a median age of 41.8 in 2021 versus 47.1 for the reviewed towns. This suggests that smaller size and an older age structure can increase the challenges municipalities face (Statistics Canada 2022).

Table 1 presents data on the size and rate of growth of population, the population’s median age and the per cent of residents 65 years and over for the villages. The results, based on a larger number of cases, confirm the pattern described above for the towns. Villages in general are contending with either very slow growth or decline and population aging. On average, village populations declined by almost three per cent between 2016 and 2021 while the median age rose by three years, from 43.6 in 2016 to 46.6 in 2021. But the decline was steeper and the aging process more advanced among villages that have had a viability review. The populations of the dissolved villages declined by almost 10 per cent on average between 2016 and 2021 while the median age rose to almost 51 in 2021, more than five years higher than in the unflagged villages. The data for the other reviewed communities were similar to the situation of the dissolved municipalities, though the average population size was somewhat larger and the pace of decline slower.

13 Although not discussed here, there are significant regional differences in population patterns. Many towns and villages in the province’s south are growing and have younger populations. The Village of Nobleford, for example, grew by over 12 per cent between 2016 and 2021 and the median age of the population was just 26.8 in 2021.
Table 1: Population Characteristics of Municipalities by Category, 2016–21

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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>278</td>
<td>259</td>
<td>-9.2</td>
<td>46.6</td>
<td>50.9</td>
<td>22.4</td>
<td>26.4</td>
</tr>
<tr>
<td>Minimum</td>
<td>40</td>
<td>36</td>
<td>-32.2</td>
<td>34.6</td>
<td>39.6</td>
<td>6.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Maximum</td>
<td>827</td>
<td>854</td>
<td>12.6</td>
<td>60.2</td>
<td>61.6</td>
<td>40.9</td>
<td>40.0</td>
</tr>
<tr>
<td>Directives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>335</td>
<td>328</td>
<td>-3.1</td>
<td>48.1</td>
<td>49.0</td>
<td>23.3</td>
<td>26.1</td>
</tr>
<tr>
<td>Minimum</td>
<td>112</td>
<td>92</td>
<td>-17.9</td>
<td>39.5</td>
<td>38.8</td>
<td>12.8</td>
<td>15.2</td>
</tr>
<tr>
<td>Maximum</td>
<td>612</td>
<td>577</td>
<td>10.7</td>
<td>58.8</td>
<td>59.6</td>
<td>37.2</td>
<td>43.5</td>
</tr>
<tr>
<td>Flagged</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>382</td>
<td>373</td>
<td>-2.3</td>
<td>42.4</td>
<td>46.4</td>
<td>19.2</td>
<td>23.4</td>
</tr>
<tr>
<td>Minimum</td>
<td>91</td>
<td>126</td>
<td>-24.2</td>
<td>32.5</td>
<td>32.4</td>
<td>6.9</td>
<td>9.8</td>
</tr>
<tr>
<td>Maximum</td>
<td>1085</td>
<td>1164</td>
<td>49.5</td>
<td>58.9</td>
<td>60.8</td>
<td>35.5</td>
<td>40.9</td>
</tr>
<tr>
<td>Unflagged</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>493</td>
<td>480</td>
<td>-1.8</td>
<td>42.6</td>
<td>45.1</td>
<td>19.1</td>
<td>21.8</td>
</tr>
<tr>
<td>Minimum</td>
<td>154</td>
<td>135</td>
<td>-31.4</td>
<td>24.8</td>
<td>25.0</td>
<td>6.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Maximum</td>
<td>1278</td>
<td>1438</td>
<td>32.8</td>
<td>54.9</td>
<td>59.6</td>
<td>33.1</td>
<td>37.0</td>
</tr>
</tbody>
</table>

Source: Statistics Canada (2022, 2023)

It seems fair to conclude that smaller size and an older population make managing a municipality more challenging. A smaller population means a more limited local tax base and makes infrastructure projects harder to fund. An older population implies a lower employment rate and more people living on pension income. This may add to the difficulty of generating the revenue needed to ensure the local community can meet its financial obligations.

**INFRASTRUCTURE CHALLENGES**

Maintaining the physical assets of a community is necessary but also a significant challenge, especially for smaller communities. Maintaining water and sewage facilities, roads, sidewalks and municipal buildings requires good planning and, of course, resources. Many communities rely to a substantial extent on provincial and federal grants, but local residents must directly bear part of the burden. This requires local officials to be aware of upcoming challenges and ensure money is in place to support the necessary work.

Figure 1 shows the magnitude of the challenge for 21 of the municipalities that underwent a viability review. As part of the review, an engineering firm was hired to identify the community’s needs over the next 10 years and to provide a cost estimate. The figure shows the per capita cost of completing the work identified in the reports. Without major support from higher levels of government, the challenge for some of the villages would likely be insurmountable.
The Ministry of Municipal Affairs tries to monitor the infrastructure situation on an ongoing basis through two important municipal indicators: investment in infrastructure and a measure of infrastructure age. With respect to investment, the ministry expects that a community’s annual capital additions will exceed the depreciation of existing assets; for age of infrastructure, the net book value of the municipality’s tangible capital assets should be greater than 40 per cent of the original cost (Alberta Municipal Affairs 2023).

In Table 2, we present data on these two measures for the same four categories of municipalities used in Table 1. We show the data for 2017 and 2021. Only the data for 2017 allow us to observe the situation in the towns and villages that dissolved; by 2021, these communities form part of the surrounding county or municipal district.

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14 All of the data in this section are drawn from the Municipal Indicators developed by Municipal Affairs (Government of Alberta n.d.). Alberta is fortunate to have additional excellent data for municipalities available to the public on the following site: https://www.alberta.ca/municipal-data-and-statistics.
### Table 2: Mean Infrastructure Investment Ratio and Infrastructure Age Indicators, 2017 and 2021

<table>
<thead>
<tr>
<th>Municipality Category</th>
<th>Investment Ratio</th>
<th>Infrastructure Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Minimum</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dissolved</td>
<td>1.74</td>
<td>0.88</td>
</tr>
<tr>
<td>Directives</td>
<td>1.73</td>
<td>0.95</td>
</tr>
<tr>
<td>Flagged</td>
<td>2.57</td>
<td>0.47</td>
</tr>
<tr>
<td>Unflagged</td>
<td>2.38</td>
<td>0.29</td>
</tr>
<tr>
<td><strong>2021</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directives</td>
<td>1.50</td>
<td>0.47</td>
</tr>
<tr>
<td>Flagged</td>
<td>1.80</td>
<td>0.45</td>
</tr>
<tr>
<td>Unflagged</td>
<td>2.10</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Source: Alberta Municipal Affairs (2023)

On both dimensions, the now dissolved communities recorded lower average scores in 2017. The differences with the communities subject to ministerial directives were small but the gap with the flagged and unflagged municipalities was larger, particularly on the investment measure. Among the dissolved, only the Village of Dewberry fell below the expected score on investment in infrastructure (0.88), though several scored just above the bar. On the measure of infrastructure age, the Village of Ferintosh scored only 38.3 per cent and three other villages had scores in the 40s. In many ways, Dewberry typifies the situation of small municipalities confronting the problems of declining population and growing infrastructure needs. As the community’s viability report shows, the village had made limited investment in infrastructure and faced an estimated $5 million worth of needed work over the next 10 years or over $37,000 per capita. With a 2016 population of fewer than 200 residents, almost 20 per cent of whom were 65 or older, this constituted an enormous challenge. In 2017, the village had an accumulated surplus of only $127,546. There was significant room to borrow — the municipality had no outstanding debt — but to take on the debt necessary to do the needed work would have imposed a major burden on the local ratepayers (Alberta Municipal Affairs 2024; Government of Alberta various dates; Statistics Canada 2022, 2023).

Among the municipalities guided by directives, several show signs of difficulty with infrastructure issues. The Village of Berwyn scored just 0.95 on infrastructure investment and 40.1 per cent, effectively the cutoff score, on infrastructure age. Three other villages had scores in the 40s on infrastructure age, including the Village of Halkirk. Halkirk had a 2016 population of just 112 and, as we saw in Figure 1, the highest per capita infrastructure burden of any reviewed municipality. The Village of Warner had an infrastructure age measure of just 37.8, but, in contrast to Dewberry and Berwyn, the community was already carrying a significant level of debt, a factor that increases the challenge of renewing local infrastructure.

Infrastructure issues are often the source among municipalities that the ministry has flagged. The towns of Mundare and Stavely, as well as the villages of Beiseker, Bittern Lake, Holden and Stirling, fell below the bar on investment in 2017; Paradise Valley had a score of just 22.8 per cent on infrastructure age while a number of other villages had scores in the 40s.
When we turn to the 2021 data, only three categories are now available for comparison. Again, communities subject to directives scored lower on both dimensions than the flagged or unflagged municipalities. Notably, the average scores for all three municipal categories on both dimensions had declined over the four-year period, indicating the growing challenge of sustaining local infrastructure. The list of communities scoring below the recommended minimum had grown as well. Four municipalities with directives scored low on investment and two on investment age, including the Village of Warner, which fell below the cutoff on both dimensions. Seven municipalities in the flagged category fell short on infrastructure investment and three on the age measure, a warning of oncoming challenges. This underlines the importance of the ministry monitoring the progress of communities in dealing with the infrastructure challenge. Given the high cost of renewing water, sewage and road systems, it is crucial for communities to begin to address problems early and to plan ahead for foreseeable needs (Alberta Municipal Affairs 2023).

**MUNICIPAL TAX RATES**

As municipalities encounter fiscal challenges due to rising service costs or infrastructure issues, local councils may consider increasing the general municipal tax rate in order to boost revenue. Municipalities tax property in their communities based on assessed value. Thus, it is not only the rate but the value of the property in the municipality that affects the amount of revenue collected. The rate is usually expressed as the rate per $1,000 of assessed value and is commonly referred to as the mill rate. Some communities also set a minimum property tax for any assessed property in the municipality. Not surprisingly, local ratepayers often push back against tax increases and in the consultations with residents conducted for the viability reviews concern about higher taxes was among the most commonly expressed complaints.

Excessively high tax rates may create a spiral of decline. As rates increase, residents may be tempted to leave the municipality. It may also increase support for dissolution in the hope that residents will enjoy a lower tax rate once absorbed into a rural municipality. The ministry suggests that a mill rate of 13 or higher may lead to problems in collecting taxes (Alberta Municipal Affairs 2023).

In Table 3, we present data on municipal tax rates for the four categories of municipalities. The rates shown in the table are based on the average tax rate over five years. For the dissolved towns and villages, we used the tax rates for the last five years that they existed as autonomous municipalities. For the others, the averages are based on the most recent five years, 2018–2022. The differences across categories are not large, but the average for the dissolved communities did exceed the 13 mill level and was more than five points higher than the average for towns and villages that had not been reviewed or flagged. Towns and villages that received directives following a viability review had an average rate 2.5 points higher, while flagged communities were almost two percentage points above the level in municipalities not reviewed or flagged.\(^\text{15}\)

\(^{15}\) Tax rates are generally higher in villages than towns. The five-year average in the villages was 10.84 versus 8.57 in the towns. Still, that leaves a gap of approximately four points between the average for villages and the average for dissolved municipalities. Eleven of the 13 dissolved municipalities were villages.
### Table 3: General Municipal Tax Rates by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissolved</td>
<td>14.9</td>
<td>6.6</td>
<td>38.1</td>
<td>9.3</td>
<td>13</td>
</tr>
<tr>
<td>Directives</td>
<td>11.5</td>
<td>8.2</td>
<td>15.7</td>
<td>2.3</td>
<td>11</td>
</tr>
<tr>
<td>Flagged</td>
<td>10.8</td>
<td>5.6</td>
<td>18.5</td>
<td>3.5</td>
<td>37</td>
</tr>
<tr>
<td>Unflagged</td>
<td>9.0</td>
<td>1.1</td>
<td>17.7</td>
<td>2.7</td>
<td>137</td>
</tr>
</tbody>
</table>

Note: Statistics based on rates 2018–2022; for dissolved, last five years of available data (Alberta Municipal Affairs 2023).

The table shows the lowest and highest rates for each category as well as the standard deviation, a measure of variability among the municipalities in each group. If all cases in each category had the same tax rate, the standard deviation would be zero; the higher the number, the greater the variability. The dissolved municipalities stand out as having a huge spread between the lowest rate (6.6 in Wabamun) and the highest rate of 38.1 in Gadsby. It suggests that local councils may have tried different strategies to deal with their revenue challenges, which were in part a function of low property values in some of the communities. The majority gradually increased their rate during their last five years prior to dissolution. A few others actually reduced rates, perhaps fearing that further increases would drive local residents away or convince them that dissolution was the best option.

Exceeding the ministry’s rule of thumb that tax rates should remain below 13 mills does not always signal a fiscal crunch. Seven municipalities in the unflagged category had a five-year average rate above 13 mills. But it is worth noting that most of the municipalities that have received directives following a viability review have worked hard to stabilize their tax rates below the recommended level. Only two, Innisfree and Warner, currently exceed 13 mills, and their five-year averages are just 15.7 and 14.4, respectively. Among the flagged communities, as well, most have tried to observe the 13 mills limit. However, several have raised taxes to fairly high levels. The Village of Alliance has seen its rate rise from 15.9 in 2018 to 21.3 in 2022; the rate in the Village of Empress has crept up from 16.0 to 18.0, while the Village of Myrnam has seen an increase from 12.0 to 15.8. It will be important for these municipalities to monitor changes in property values and to fully assess the impact of rising rates on their communities.

Higher local tax rates may also lead some residents to believe they would be better off as a hamlet in a county or municipal district with a lower tax rate. Several viability reviews report that resident-driven petitions for dissolution have occurred because residents of a municipality expect to pay lower property taxes after dissolution. The data in Table 4, which compares the residential mill rate in the year before the viability review with the 2023 rate, show this is often the case. However, it is also true that the absorbing county or municipal district may decide to charge a higher mill rate after dissolution to account for the higher cost of providing services to the community, which is now a hamlet in the county or district.
No doubt a higher tax rate can create challenges for both residents and municipalities. It seems likely, however, that higher tax rates are less a cause of community decline than a consequence. Other factors cited above, such as population decline and major infrastructure needs, are the likely drivers of serious municipal challenges and raising taxes is one of the only available solutions. A trend of rising taxes may be a flashing light signifying growing pressure on a locality.

NON-PAYMENT OF TAXES

In addition to setting tax rates that allow municipalities to meet their responsibilities without overburdening their residents, local governments must ensure taxes levied are actually paid. Non-payment of taxes is a serious issue in some communities across the province and aggravates the fiscal challenges governments face. The ministry considers a collection rate below 90 per cent to be problematic.

In Table 5, we show the data on tax collection for the categories of municipalities described above and again for the years 2017 and 2021. In 2017, both categories of municipalities that experienced a viability review reported an average collection rate below the recommended 90 per cent level. The flagged communities were, on average, slightly below the bar while the remaining municipalities had an average tax collection rate of 93.8 per cent, comfortably above the recommended level.
Table 4: General Municipal Tax Collection Rates by Category, 2017 and 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dissolved</td>
<td>85.6</td>
<td>63.7</td>
<td>94.6</td>
<td>10</td>
</tr>
<tr>
<td>Directives</td>
<td>85.1</td>
<td>67.5</td>
<td>94.6</td>
<td>12</td>
</tr>
<tr>
<td>Flagged</td>
<td>89.3</td>
<td>74.4</td>
<td>100.0</td>
<td>35</td>
</tr>
<tr>
<td>Unflagged</td>
<td>93.8</td>
<td>76.1</td>
<td>101.2</td>
<td>138</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directives</td>
<td>91.1</td>
<td>84.2</td>
<td>95.8</td>
<td>11</td>
</tr>
<tr>
<td>Flagged</td>
<td>88.9</td>
<td>45.6</td>
<td>100.0</td>
<td>36</td>
</tr>
<tr>
<td>Unflagged</td>
<td>94.4</td>
<td>75.3</td>
<td>100.4</td>
<td>135</td>
</tr>
</tbody>
</table>

Source: Government of Alberta (various dates)

The extent of non-payment is surprising; even in communities considered to be doing well, a significant number of property owners are not paying the taxes they are assessed. In some cases, the collection rate is very low and undoubtedly threatens the viability of towns and villages. Among the municipalities that eventually dissolved, two in particular faced great difficulty: Dewberry with a rate of just 63.7 per cent and Gadsby at 66.9 per cent. Among the municipalities issued directives, Innisfree and Rycroft had collection rates below 70 per cent.16

The data for 2021 show signs of improvement, possibly reflecting the ministry’s encouragement to use the tools available, such as land sales, to promote compliance. The average collection rate for communities with directives rose by over five percentage points to 91.1 per cent and no town or village reported a rate below 80 per cent. The flagged communities remained just below the ministry guideline with an average collection rate of 88.9 per cent; however, four of the villages reported a rate below 80 per cent. For the remainder of the towns and villages, tax compliance rates were high, averaging close to 95 per cent. Only two municipalities had a collection rate below 80 per cent. Both of these communities also had relatively high debt to revenue ratios, underlining the importance of ensuring taxes are actually collected.

**MONITORING THE VIABILITY OF MUNICIPALITIES USING THE ALBERTA MODEL**

The system of viability reviews described in this paper has been in operation in Alberta for over 10 years. Despite some minor modifications, the process has operated in a similar fashion for all municipalities that have undergone a review. The reviews have produced a wealth of information on the communities and allow us to draw a number of conclusions about the issues that challenge the viability of Alberta’s towns and villages and about the review process itself.

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16 Some communities encounter problems due to non-payment by a small number of large property owners. Those situations are more evenly resolved than if non-payment is widespread in the municipality.
MAJOR FACTORS INFLUENCING VIABILITY

There is no simple story to tell about the challenges facing smaller municipalities in Alberta. Local conditions, in particular the strength of the regional economy, play an important role. Yet, a review of the information generated in the viability studies that have been completed as well as the data collected by the Ministry of Municipal Affairs allow us to draw several conclusions about the most important factors affecting viability.

First, current demographic trends work against the viability of most small towns and villages, especially those located at a significant distance from a large city. Low birth rates, an exodus of the young and the desire of most immigrants to settle in large cities frequently lead to population aging and decline in many communities. Among the towns that have been reviewed, only Granum grew between 2016 and 2021, while 18 of the 22 villages reviewed lost population. In nine of these municipalities, the median age in 2021 was over 50. Demographic decline doesn’t automatically lead to fiscal problems or a shortage of people ready to serve on council, but it limits the human and financial resources available to address both issues.

Second, the high cost of infrastructure upkeep and renewal poses a huge challenge for many smaller municipalities. Figure 1 is a dramatic picture of the costs facing the communities that have dissolved. It points to the importance of this issue for many towns, villages and districts across the province. Even for the municipalities that have dissolved, the problem does not disappear — it becomes an issue to address for the county or district that absorbs the community. How best to approach this problem remains a source of contention. Dahlby and McMillan (2022) suggest that tax revenues that flow to the province to support education might better remain in the municipalities to address infrastructure costs. They note as well the reluctance of many municipalities to borrow. Thirty-nine towns and villages recorded holding no debt in 2021, though many scored quite low on the infrastructure age and investment measures. These communities might help themselves by using debt financing to tackle problems before they reach critical levels. Some municipalities do not use debt financing in the hope that grants from the province or the federal government will cover costs related to infrastructure. The province should examine its current grant funding system for its adequacy but also to ensure that it does not incentivize communities to put off needed work in the hopes that a provincial grant will relieve the community of the cost to replace or repair infrastructure.

Other issues contribute to the problems many towns and villages are facing. Difficulties collecting property taxes, and, in some cases, high property tax rates create dissatisfaction among residents. As we argued above, however, we see these more as consequences that follow from demographic decline and fiscal challenges than the factors that threaten viability.

17 Six villages with directives held no debt; two recorded infrastructure scores below the cutoffs.
THE POLICY RESPONSE TO MUNICIPALITIES IN DECLINE

Since the introduction of the viability review process, 26 municipalities have undergone reviews and 13 have decided to dissolve. Alberta has 332 municipalities, and it should be emphasized that most are fully viable. According to the 2021 Municipal Indicators report, only 24 communities were flagged as a result of their performance on the indicators (Alberta Municipal Affairs 2022). This result suggests that Alberta is not facing the wide-ranging problems in smaller communities that led to sweeping municipal reorganization in New Brunswick and Manitoba. The case-by-case approach that Alberta uses seems fully appropriate to the current state of affairs in the province. At the same time, there is a case for continued vigilance and ongoing dialogue between the ministry and municipalities that are encountering difficulties. Compiling and publishing the data showing the performance of all municipalities on the Municipal Indicators shines a spotlight on communities encountering problems and encourages actions that may resolve those problems.

The Village of Beiseker provides a good example of a community that fell short on a number of indicators for several years; however, the data for 2022 show a more positive picture with the village falling below the cutoffs on only one indicator, the tax collection rate, and even there their collection rate was less than two percentage points below the desired level. This case shows that ensuring councils and residents are fully aware of the situation in their community may provide a pathway to a better future.

Although the current system is working well, several important issues remain that merit discussion. One is the apparent slowdown in launching viability reviews. A number of municipalities consistently score below the minimum on a number of the municipal indicators. The Village of Myrnam, for example, has been flagged every year from 2017 to 2022. In all but one of those years, it has run a deficit. A community facing these problems would benefit from a viability review that charts the full dimensions of its situation and allows residents to decide on the best way forward.18

A second issue is the relationship between towns, villages and the municipal districts and counties in which they are located. Dissolving a village or town may seem like the resolution of a problem, but the community continues to exist in a different form and the issues that led to dissolution remain to be solved. Those issues become the responsibility of the rural municipality they join. The viability reviews do a good job of outlining how things will change for the municipality under review, but they pay limited attention to the challenges posed to the absorbing municipality. More explicit attention to the consequences of a dissolution, and particularly the costs that will be borne by the receiving municipality, should be considered a priority.

Finally, the fate of communities that are struggling to meet the ministerial directives following a vote against dissolution remains a challenge. The ministry flagged four of the municipalities that voted against dissolution in 2020, 2021 and 2022. The ministry provides a five-year runway for municipalities with directives to address the problems they are facing. This is a reasonable time frame to allow communities to assess whether they can adequately respond to the issues raised in the directives. The question about the process to be followed if a community is unable to overcome the problems that led to the initial review remains. The use of a vote of electors to decide a municipality’s future is commendable. It encourages public participation in decision-making and gives residents a say on their future. But if, despite the best efforts of the residents and their leaders, problems continue to accumulate, a different future may be inevitable. How best to guide residents to that conclusion requires further thought and discussion.

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18 The Village of Myrnam is partnering with the Town of Two Hills and the County of Two Hills on a regional governance study, which may allow the community to address ongoing issues.
APPENDIX 1

CASE STUDIES OF VIABILITY REVIEWS

TOWN OF GRANDE CACHE

The Town is “located in the foothills of the Canadian Rocky Mountains on Highway 40, 150 kilometers northwest of the Town of Hinton, and 187 kilometers south of Grande Prairie” (Town of Grande Cache Viability Review Team 2018, 4). In June 2016, the town council resolved to request a viability review. With a population of 3,286, it was the largest community to complete a viability review. At the review’s conclusion, the electors voted to dissolve the municipality and on January 1, 2019, the town was integrated into the Municipal District of Greenview.

Due to Grande Cache’s remoteness from larger centres, it tended to have some difficulty with contracting services that would be common in other municipalities, such as garbage collection and recreation services. Therefore, the town owned and operated these services itself, which is uncommon for a community of that size. The town also acts as a hub of services for the surrounding community and thus is likely required to have more services than is typical of a town of its size.

In requesting a viability review, the town council pointed to challenges of revenue generation, expected economic downturn, reduced property assessments and concerns about rising property taxes. Although the council had made some progress on increasing revenues and decreasing the town’s debt load, it was felt that a review was needed to plan for the community’s future. Among the most serious challenges facing the town were:

- A shortfall of revenue to cover operating costs and maintain services and infrastructure;
- The need for grants to complete major infrastructure projects (such as the water treatment plant); and
- A continued downturn in the economy that was expected to produce a reduced assessment base.

During the viability review, the town and MD started a discussion to identify challenges, explore solutions and develop a long-term funding model for the Grande Cache region. They also asked for the viability review to be deferred. In July 2018, the town and MD submitted a request to resume the viability review.

The communities already had some level of co-operation with regional community development, a recreation centre, joint firefighting and peacetime disaster mutual aid and joint library services. The MD also contributed funding towards weed inspection services. At the time of the review, the Intermunicipal Development Plan (IDP) was scheduled to be reviewed.

It was expected that the Grande Cache Institution, a medium-security correctional centre, would continue to operate as a federal institution (as has been the case since a 1995 lease agreement with the province). One coal mine was still operating at the time of review; however, it was noted that the community was slow to see spin-off effects to business. The town had also received 2018

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19 The town was not flagged in 2016, 2017 or 2018 for the percentage of debt to revenue or debt service to revenue and had a surplus of about $3.7 million in 2018 (down from over $8.5 million in 2016) (Government of Alberta n.d.).

20 “The recreational centre and recreational activities are unique partnership agreements. The MD of Greenview is a 50 per cent owner of the newer portion of the recreation centre and funds 25 per cent of the operational deficit and capital costs” (Town of Grande Cache Viability Review Team 2018, 11).
provincial coal transition funding, but no further information was provided about the results of this funding (Town of Grande Cache Viability Review Team 2018, 28).

**Sustainable Governance**

At the time of review, Grande Cache’s council had seven members, including a mayor and six councillors at large. No concerns were raised in the review regarding the public’s interest in running for council. It was noted that due to Grande Cache’s larger size in relation to the MD, two Grande Cache councillors would be appointed to the MD council to represent the town in the event of dissolution (Town of Grande Cache Viability Review Team 2018). As of May 2023, there were two councillors and the reeve listed as being from Grande Cache.

It was noted that the MD would consider whether Grande Cache should be designated an Urban Service Area within Greenview (Town of Grande Cache Viability Review Team 2018, 8). As of May 2023, the MD of Greenview’s website listed Grand Cache as a hamlet (Municipal District of Greenview n.d.).

**Regional Co-operation**

While a unique funding agreement had been reached on the recreation centre, at the time of review the town “… indicated that it does not have the funds to cover 75 per cent of the ongoing operational and capital expenditures required to operate the recreation facility” (Town of Grande Cache Viability Review Team 2018, 12). The town also indicated that without additional resources it would be unable to undertake any inter-municipal development and would rely heavily on the MD to “develop and manage the details of an IDP” (Town of Grande Cache Viability Review Team 2018, 12).

A strong feeling that the town lacked resources compared to the MD and that its viability was in question is apparent in some of the notes from the town.

**Operational and Administrative Capacity**

There was concern that the town office’s hours would need to be reduced to two or three days per week. The MD already had a sub-office in Grand Cache which was open five days per week. There is also a public services office in Grande Cache and an FCSS office, both of which were open five days per week as of May 2023, according to the MD website (Municipal District of Greenview n.d.).

At the time of review, the town had employed five CAOs in the past 10 years. The town was considering having only a part-time CAO if it retained its town status (Town of Grande Cache Viability Review Team 2018, 14).

**Community Well-being**

As noted above, the coal mine was operating but spin-off effects to businesses were limited. The town also received coal transition funding from the province to assist in the economy’s diversification. The town continues to be subject to the ups and downs of the coal economy and attitudes towards continued exploitation of these natural resources are mixed (Moyles 2023).

During the review, concern was expressed about the need to promote the town’s economic development. The MD has a department of specialists who are engaged in promoting regional economic growth through business attraction, retention, tourism and outdoor recreation development. However, following dissolution there are still challenges with improving and
expanding tourism in the area, with infrastructure priorities seemingly taking precedence over matters of tourism and economic development (Ettinger 2023).

**Viability Review Engagement**

Three public information sessions were held in Grande Cache’s recreation centre in September 2018. Interestingly, the sessions were held immediately prior to the vote. No engagement results were provided in this viability review report. The vote in favour of dissolution was overwhelming, with 97 per cent of voters supporting dissolution.

**Conclusion**

The report raised a strong concern regarding the town’s future viability, driven by expected economic uncertainty. The perceived better health and power of the surrounding municipal district undoubtedly made joining the district appealing to most residents. A challenge for the MD of Greenview will be to serve the residents of a town that has been used to enjoying more urban amenities.

**VILLAGE OF HALKIRK**

“The Village of Halkirk was formed in 1912 and is located in central Alberta, 41 km east of the Town of Stettler …” The village population in 2016 was 112, “down 8.5 per cent from 121 in 2011” (Village of Halkirk Viability Review Team 2022, 7). In April 2020, town council requested the minister initiate a viability review and the minister agreed. The council cited an “… aging and decreasing population, lack of interest in local government participation, increased costs, no new development, and staff capacity as reasons that it is no longer feasible for the village to continue operations into the future” (Village of Halkirk Viability Review Team 2022, 7). The villagers voted in March 2022, but only 56 per cent of the eligible voters (55 out of 98) voted. Sixty per cent voted to remain a village and 40 per cent voted to dissolve into the County of Paintearth. As a result, a set of four directives was given to the village with the goal of addressing issues revealed in the viability review (Alberta Municipal Affairs 2022).

The report noted that the main viability considerations related to financial and budgetary concerns, including the need to increase property tax revenue in order to address both infrastructure needs and other costs, including increased policing costs (Village of Halkirk Viability Review Team 2022, 4).

**Sustainable Governance**

“The village has previously struggled to attract residents interested in running for council and does not receive substantial community input on municipal issues. Three councillors were acclaimed for the 2021-2025 term” (Village of Halkirk Viability Review Team 2022, 10). It was also noted that the village did not have a strategic or business plan, councillors only participate in mandatory training and that cost concerns limit new ideas. Also, the bylaws were out of date or non-existent for issues such as land use, parking, animal control, noise and unsightly properties. “Bylaw enforcement is limited and is conducted by the CAO. Council has decided not to contract bylaw enforcement services due to cost” (Village of Halkirk Viability Review Team 2022, 10).21

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21 The village was flagged in 2022 on four indicators: Ministry intervention (the viability review process), tax collection rate, population change and infrastructure age. It is too soon to tell if any of these issues will be addressed through the directives and that reporting process (Government of Alberta n.d.).
The village does report a positive relationship with the neighbouring municipalities and there is regular contact and a completed ICF with the County of Paintearth. “The county has been supportive of the village during regional discussions, supporting Halkirk recreation and events, and contributing financially where the county deems it appropriate” (Village of Halkirk Viability Review Team 2022, 11). Despite this overall positive relationship and co-operation, some in the community believe that the county is in control and helps at its discretion.

Recommendations included undergoing a comprehensive review of staffing, services, capital and operational planning; a complete bylaw review; “(promoting) opportunities for residents to participate on council and committees”; and “(determining) how it will enforce its bylaws” (Village of Halkirk Viability Review Team 2022, 11).

Administrative Capacity
The village budgets for a part-time (0.4 FTE) CAO, a part-time public works foreman (0.5 FTE) and part-time administrative support. The previous CAO apparently worked many hours above their contracted time without compensation, and thus more time may need to be budgeted going forward.

The part-time CAO hours have limited the capacity to fulfil all the duties and expectations of the role, including writing and submitting grant applications, procuring and managing major capital projects, MGA compliance, fire department administration, and financial management. There is also an expectation from village council for the CAO to undertake non-administrative duties, which has affected the ability for the CAO to complete all of their CAO responsibilities (Village of Halkirk Viability Review Team 2022, 13).

Engagement on Viability Review
The viability review took place during COVID-19 public health restrictions, so residents were asked to provide feedback on a survey conducted in May 2020. The following themes were drawn from the engagement for the viability review report (Village of Halkirk Viability Review Team 2022, 8):

1. Sense of community remains important to residents;
2. Residents had concerns with village bylaws and a perceived lack of enforcement;
3. Residents were concerned with the County of Paintearth’s ability to provide services (roads, water and sewer); and
4. Municipal facilities, including the community hall and seniors’ centre, are valued community resources.

It was expected that if the village were to dissolve, the village office would remain open during transition, but would eventually be closed, with administrative functions being provided from the county office in the town of Castor, which is 30 km from Halkirk. It was noted that the county already provides some support to the village, but that these “existing handshake service agreements” should be formalized to “ensure common expectations are communicated to future councils” (Village of Halkirk Viability Review Team 2022, 15).
Services

“The village owns a number of recreational, cultural, and historical properties, and has a general goal to pursue historical tourism to drive local economic development. These facilities include the community hall, senior centre, rodeo grounds, two campgrounds, curling club, former church building, water tower (not in use), and a former mini arena (model railroad display) … The 2020 budget included work on the former church and the water tower. The village belongs to Battle River Economic Opportunities Committee which is considering a regional tourism initiative in 2022” (Village of Halkirk Viability Review Team 2022, 24).

Conclusion

Time will tell if residents’ concerns and the shortcomings noted in the Municipal Indicators data for the Village of Halkirk will be adequately addressed. The village’s small population and the close vote on dissolution suggest an uncertain future. It will be important for the positive relationship with the neighbouring rural municipality to continue, although concerns raised by some village residents regarding the power imbalance may have to be addressed.\(^{22}\) In August 2023, all three village councillors resigned and Municipal Affairs appointed an official administrator, until a byelection was held. Some matters, including pending funding applications, are on hold (Stettler Independent 2023a). A news article in November 2023 noted that the election date was set for November 15 and five individuals were running for the four seats (Stettler Independent 2023b).

\(^{22}\) Recommendations in the paper by Agrawal and Gretzinger (2023) as part of this paper series point to the need to improve processes to help communities develop and follow ICFs in a way which is fair and equitable to all of the involved communities.
APPENDIX 2

REVENUE AND EXPENDITURE DATA FOR REVIEWED MUNICIPALITIES

Smaller municipalities work on tight budgets with limited revenue. Rising costs of services and unexpected expenditures can push communities into a deficit situation. Persistent deficits, however, may signal more basic fiscal issues. Increasing tax rates may resolve the situation in some cases, but above average tax rates may also lead to criticism from ratepayers and ultimately make the municipality a less attractive place to live.

The table below presents data on the net revenue for all municipalities that have undergone a viability review in the three years leading up to their review. Many of the towns and villages included struggled to balance revenues and expenditures and there was significant volatility in the finances of many municipalities. Indeed, leaving aside the municipalities of Cremona and Swan Hills, which were declared viable at the end of the review process, only three municipalities ran a surplus in all three years examined. There is no obvious relationship between running deficits and the decision to dissolve. Dewberry ran deficits all three years before voting to dissolve, but Ferintosh moved from a very small deficit to a healthy surplus in the year of the review. Moreover, the Town of Manning, the only other municipality to run deficits in all three years leading up to the review, voted against dissolution. In a number of cases, deficits may have triggered concern about the community’s viability while also leading councils to adopt more rigorous fiscal policies that move the communities from deficit to surplus. Again, however, this did not seem to determine the outcome of the process. The Town of Granum and the Village of Hythe, for example, ran healthy surpluses in the two years preceding their viability reviews but ultimately both voted to dissolve. In the Village of Rycroft, however, a significant surplus in the year of review may have convinced some residents they were now on a better path that would allow them to continue as a village.

Table A2:1: Net Revenue for All Municipalities Undergoing a Viability Review in Three Years Prior to Their Review

<table>
<thead>
<tr>
<th>Net revenue (Revenue minus Expenditure)</th>
<th>T-2</th>
<th>T-1</th>
<th>T</th>
<th>Expense &gt; Revenue</th>
<th>3 years leading to review</th>
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<tbody>
<tr>
<td>Village of Gadsby</td>
<td>-$58,123</td>
<td>$119</td>
<td>$25,104</td>
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<td>Village of Minburn</td>
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<td>-$73,518</td>
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<td>-$5,304</td>
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<td>$272,195</td>
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<td>Village of Galahad</td>
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<tr>
<td>Village of Hill Spring</td>
<td>$202,464</td>
<td>$557,543</td>
<td>$240,530</td>
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<td>Village of Dewberry</td>
<td>-$139,763</td>
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<td>Village of Innisfree</td>
<td>$107,315</td>
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<td>Village of Ferintosh</td>
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<td>Town of Granum</td>
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<tr>
<td>Location</td>
<td>T-2</td>
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<td>T</td>
<td>3 years leading to review</td>
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<td>Town of Manning</td>
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<td>Town of Grande Cache</td>
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<td>Village of Champion</td>
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<td>-$166,469</td>
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<td>Town of Swan Hills</td>
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<td>$421,219</td>
<td>$1,144,462</td>
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</tr>
</tbody>
</table>

* T = year of review

Source: Government of Alberta (various dates)
REFERENCES


Alberta Municipal Affairs. 2022. Viability Review Results document provided to researchers.


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Kevin McQuillan was born and raised in Montreal. He studied at Loyola College and the University of Toronto, where he received his B.A. in 1973. He did his graduate work at Princeton University and received his Ph.D. in Sociology in 1978. He joined the Sociology Department at the University of Western Ontario in 1977 and served as Department Chair from 1997-2002. He was a Research Associate and Director of the Population Studies Centre. In 2007, Dr. McQuillan moved to the University of Calgary as Dean of the Faculty of Social Sciences. In 2010, he was appointed the first Dean of the Faculty of Arts and from 2014-2018 served as Deputy Provost. In 2018, he became Academic Director of the School of Public Policy. Following his retirement in 2022, he was appointed a Research Fellow at the School. Kevin’s major interest is in demography. His work has focused on migration, changing family structures and the effects of religion on fertility and the family.
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