

Is Financial Assistance to Alberta Municipalities Fair?¹

Introduction

Decisions by governments are fundamental to the economy. Governments, through their regulatory work, are a primary source of the “guiding hand”² for economic transactions. Equally if not more important are government decisions on the allocation of revenue and natural resources that contribute an essential part to Adam Smith’s “invisible hand.”

If society is to achieve its goals, it must determine to what extent government decisions influence the economic “playing field” – either making it easier or harder for individuals to meet their needs. Examined in this report is the fairness of grants provided to Alberta municipalities by the federal and provincial governments. Those grants from senior governments can have a significant influence on the ability of municipalities to respond to the needs of their residents.

The federal and provincial governments provide financial assistance to municipalities in Alberta through a variety of programs. These programs have changed over the years, some being abandoned while others have evolved in response to new priorities. In addition to the many programs that have been created and the considerable changes that have occurred, the goals of programs are usually general in nature, focusing on technical specifications rather than the actual impact of the programs. As a result, it is rarely evident how financial assistance fairly or unfairly affects the ability of individuals and the economy to function successfully and sustainably.

This report considers two key ways to measure the fairness of financial assistance to municipalities: whether the assistance has kept pace with growth and whether the assistance has been equitably distributed. Four performance measures (population, inflation, senior government revenue, and gross domestic product) were used to measure growth and one performance measure (per capita funding) was used to measure equitable distribution.

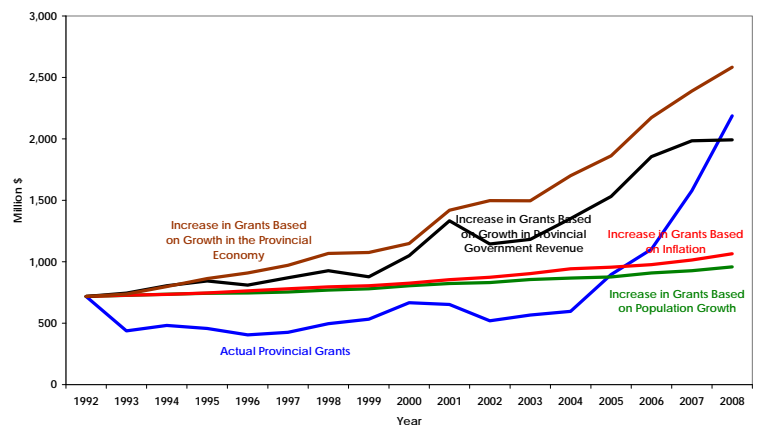
The data and methodology are described in the Appendix.

Provincial Financial Assistance Has Not Kept Pace With Growth

Since 1992, the provincial government has provided 93% of senior government financial assistance to Alberta municipalities. Provincial funding, though, has not kept pace with growth in the economy, inflation, or population (Figure 1). Despite a recent surge in grants, the shortfall in funding is \$2.1 billion (2008\$) when compared to population growth. Compared to growth in the provincial economy, the shortfall is \$13.1 billion.

Despite varying widely, federal financial assistance to Alberta municipalities since 1992 has – in total – exceeded all growth performance measures. When the extra federal funding is combined with provincial assistance, though, a shortfall in grants remains of \$1.0 billion compared to population growth and \$12.5 billion compared to growth in the provincial economy.

Figure 1
Change in Provincial Grants to Alberta Municipalities
Compared to Performance Measures



¹ This is an update of information originally provided in “Fringe Benefits: Municipal Financial Assistance and Sustainability in Alberta,” *Moving Beyond Now*, v. 1, no. 7 (March, 2008), pp. 17-49

² “Aesop’s Fables, Informed Consent, and Social Engineering: The Trouble With Risk Analysis,” *Moving Beyond Now*, v. 1, n. 2 (May, 2003), pp. 13-14

Municipalities Made Up the Funding Shortfall Primarily With Increased Property Taxes and Fees

To compensate for the loss of money from the provincial government, municipalities relied primarily on increased property taxes and sales and user charges. Prior to the surge in provincial grants, property taxes and sales/user charges accounted for over three-quarters of increased revenue (Table 1). Even after the funding surge, property taxes and sales/user charges accounted for just under 60% of increased revenue. Return on investments contributed an additional 18% before 2005, but recent losses reduced the impact of investment income to a 3% contribution.

	Net Property Tax	Sales and User Charges	Return on Investments	Federal and Provincial Grants	Other Revenue
Pre-2005	49.5%	28.2%	17.7%	-3.8%	8.4%
1992-2008	40.8%	18.4%	3.5%	24.1%	13.2%

To serve their residents from 1992 to 2008, municipalities had to increase their revenue by an average of 6.5% per year, greater than the rate of population growth (1.9%), inflation (2.6%), and growth in provincial government revenue (6.0%).

These results discredit the view that cutting back provincial grants was called for because municipal services are extravagant. According to that view, reducing financial assistance to municipalities is necessary to hold "local taxpayers' feet to the flames,"³ forcing them to either reduce their demand for services or become more efficient by, as is usually argued, obtaining those services from the private sector.⁴

After seventeen years of provincial grants that did not keep pace with growth, municipalities had ample incentive to reduce services and become more efficient. If municipal extravagance were an issue, their need for revenue would have fallen as grant reductions cut into their budgets and ratepayers demanded

³ For a discussion of this approach to government funding, listen to an interview with Roger Gibbins, President and CEO, Canada West Foundation, *The House*, CBC Radio, December 22, 2007, 28:50

⁴ Evidence is not available to support the view that municipal services are or have been extravagant. Studies that promote the idea of municipal extravagance are speculative and do not assess the range of economic, social, and environmental factors that influence government decisions. See, for example, Peter VanDoren, *Time to Trash Government Intervention in Garbage Service*, Cato Institute Policy Analysis No. 331 (January 21, 1999) (<http://www.cato.org/pubs/pas/pa331.pdf>) and Canadian Taxpayers Federation, *Report Card on Municipal Performance Measures: How 70 Ontario municipalities spend your tax dollars*, 2003 ([http://www.taxpayer.com/pdf/Ontario_Municipal_Performance_Measurements_\(July_2003\).pdf](http://www.taxpayer.com/pdf/Ontario_Municipal_Performance_Measurements_(July_2003).pdf) – web page no longer available).

Van Doren's rejection of government regulation of garbage collection is based on the unproven assumptions that economic efficiency is paramount, greater efficiency is achievable, and other factors (e.g., restricting commercial truck traffic) are unnecessary restrictions on individual freedom that he, incorrectly, portrays as being implemented without consent. The Canadian Taxpayers Federation's analysis is based on the unproven assumptions that a more local government is a better government, "there is no appetite for further tax increases," provincial cost-cutting was effective, municipal politicians "have largely failed to make the same tough spending choices and to prioritize their own operations," municipal politicians do not "grasp ... that governing is about making choices with scarce tax dollars," infrastructure spending must become a larger priority, "existing tax dollars must be used more responsively," and there is a common understanding of what core or basic government services are.

less lavish services.⁵ Instead, it appears the efforts to reduce provincial grants, primarily to eliminate the provincial debt, instead imposed an additional burden on local residents in the form of higher property taxes, user fees, and other municipal levies.

Rural Areas Have Received the Highest Level of Financial Assistance

With 14% of the population, municipal districts (MDs) and counties received 23% of grants from the federal and provincial governments from 1992 to 2008. On average, MDs and counties received \$572 per capita⁶ per year (2008\$) compared to \$296 for other municipalities. (Table 2 and Figure 2)

The financial situation in MDs and counties is explained by the extensive road network they maintain. Almost two-thirds of the money spent by MDs and counties is for transportation, more than double what other municipalities spend (Table 3).⁷

Figure 2
Per Capita
Federal and Provincial Grants to Alberta Municipalities

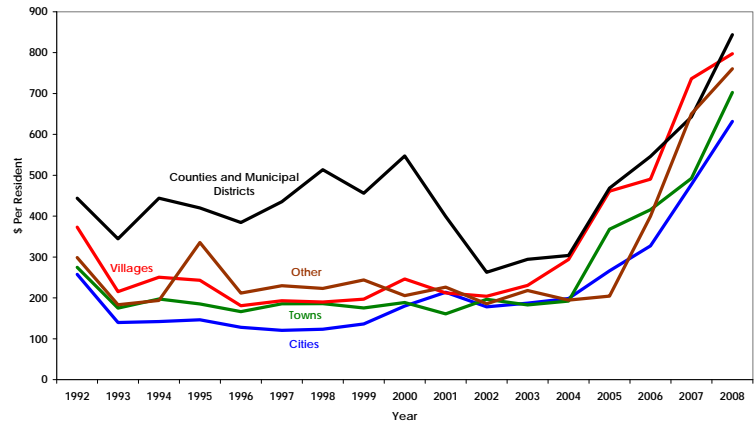
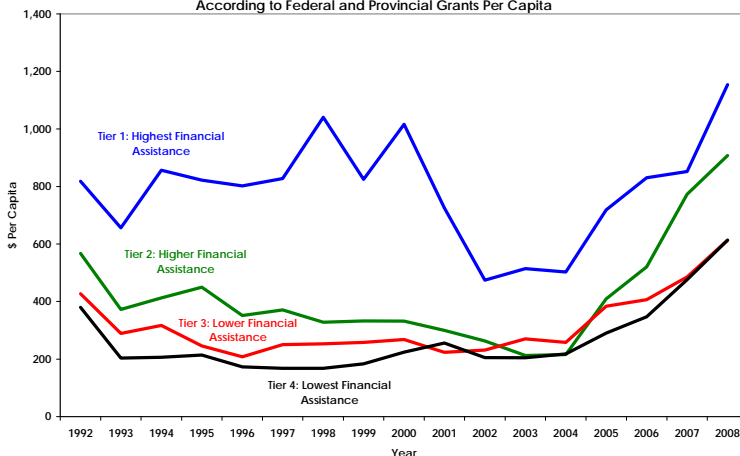


Figure 3
Ranking of Municipalities
According to Federal and Provincial Grants Per Capita



Financial Assistance Favors the Northwest and Southeast Corners of the Province

There is a wide disparity in the per capita funding provided to municipalities. The Tier 1 municipalities receiving the highest per capita assistance from 1992 to 2008 had 8% of the provincial population, but received 19% of grants. The assistance they received averaged \$791 per capita per year (2008\$), over two-and-a-half times greater than the \$295 average received annually by other municipalities (Figure 3). Twenty-two of the Tier 1 municipalities (29%) averaged over \$1,000 per capita per year in financial assistance.

Tier 1 municipalities are concentrated in the northwest and southeast corners of the province (Map 1). All of those municipalities are outside the Edmonton-Calgary corridor and Fort McMurray region

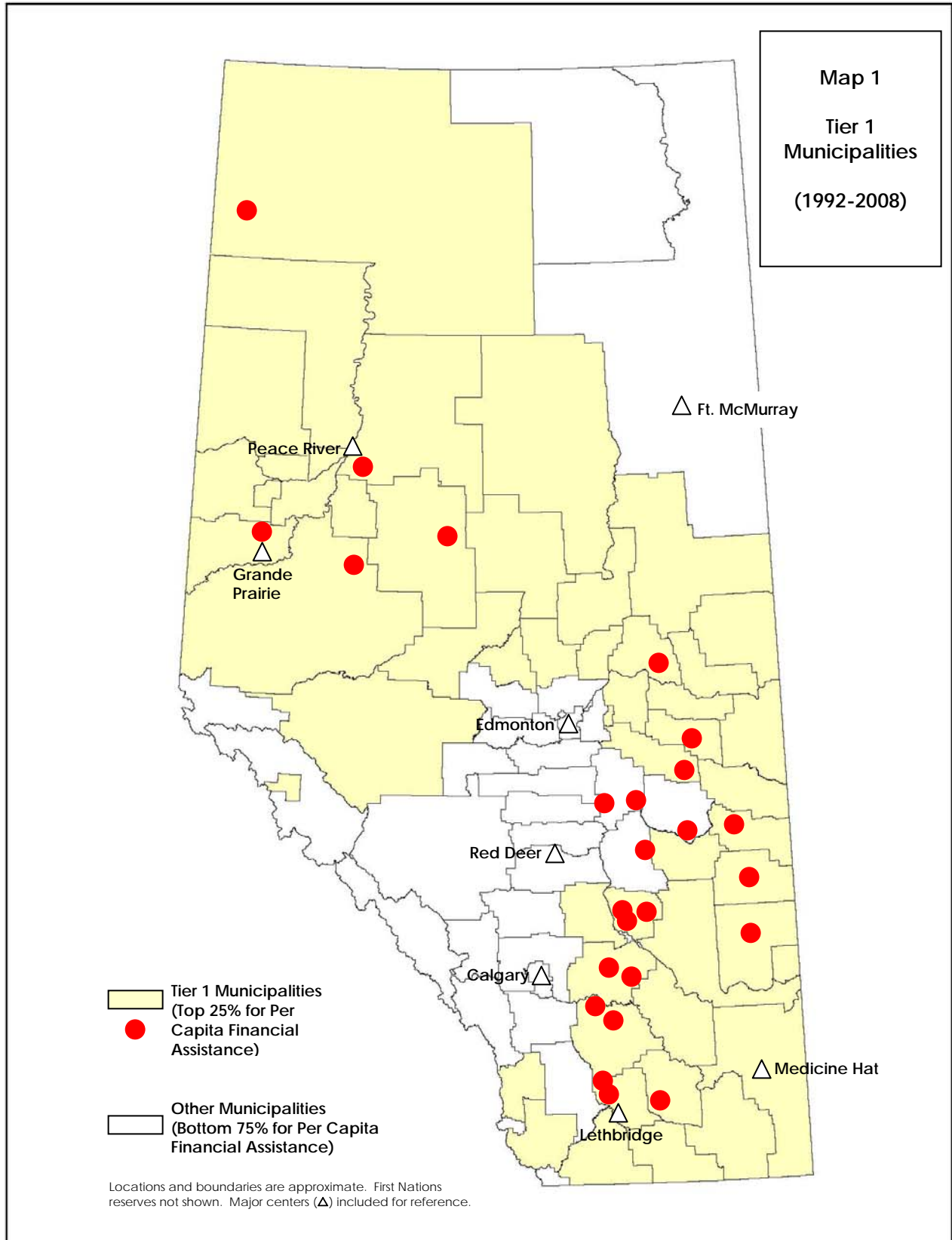
⁵ To believe otherwise is to believe that not only are municipal officials irresponsible, but that voters in municipalities either do not know what they need or do not care how their money is spent.

⁶ Data presented on a per capita basis are used here as the standard for comparing the fairness of grants to municipalities since other methods of comparison are inadequate. See the Appendix. Grants provided to summer villages are not included because a per capita indicator is not a meaningful measure of the demand on services provided by summer villages.

⁷ Less than 2% of the transportation budget of MDs and counties is spent on transportation other than roads.

Type of Municipality	Federal Grants	Provincial Grants	Total Grants	Ratio Compared to Provincial Average		
				Federal Grants	Provincial Grants	Total
Cities	25	257	282	1.10	0.83	0.85
Towns	15	310	325	0.68	1.00	0.97
Villages	14	382	396	0.63	1.23	1.18
Counties & Municipal Districts	20	552	572	0.87	1.77	1.71
Other	23	347	370	1.01	1.11	1.11
Average	23	311	334	Does not include summer villages.		

Function	Cities	Towns	Villages	Counties and Municipal Districts	Summer Villages	Other Municipalities	Provincial Average
General Government	13%	16%	26%	13%	33%	15%	13%
Protective Services	24%	15%	7%	6%	14%	16%	20%
Transportation	26%	17%	22%	64%	27%	31%	32%
Environmental Use and Protection*	15%	23%	27%	6%	15%	15%	15%
Public Health and Welfare**	4%	4%	2%	1%	< 1%	3%	4%
Economic/ Agricultural Development	< 1%	1%	< 1%	4%	< 1%	1%	1%
Other Planning and Development	4%	5%	3%	2%	1%	4%	4%
Recreation and Culture	13%	19%	13%	4%	9%	14%	12%
Other	< 1%	1%	1%	1%	< 1%	1%	< 1%
		Expenditures more than 10% above provincial average					
		Expenditures more than 10% below provincial average					
		* Includes expenditure on storm sewers and drainage					
		** Includes expenditure on public housing operations					



The high level of preferential treatment is still evident when grants to the regions⁸ containing Tier 1 municipalities are considered. Adding in grants to other municipalities from each region increases the share of population to 21% and the share of grants to 31%. Grants per capita drop to \$495 per year (2008\$) – still two-thirds higher than the average for other municipalities.

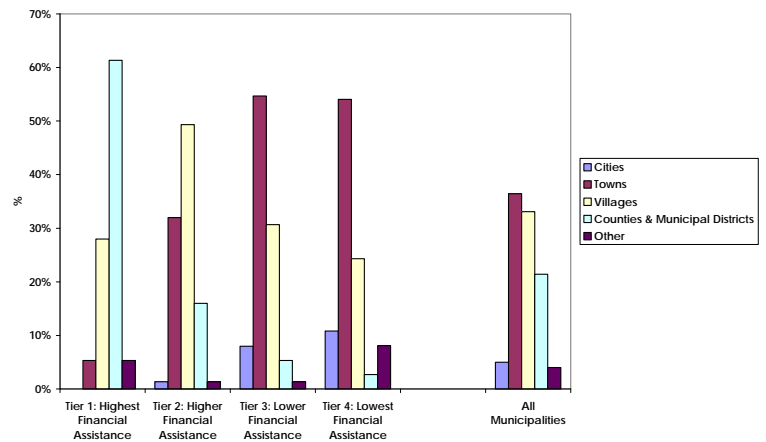
Tier 1 Municipalities Were Primarily MDs and Counties

Sixty per cent of the municipalities within Tier 1 were MDs and counties, even though they are only 21% of all Alberta municipalities (Figure 4).

The Philosophy Behind Preferential Treatment of Tier 1 Municipalities is Not Evident

There might be some evidence in the pattern of federal and provincial assistance that can explain the substantial deviation from equitable funding evident in the support for Tier 1 municipalities.

Figure 4
Type of Municipalities Within Tiers



There are several reasons that could be behind unequal funding:

- **Catalytic funding:** Funding based on the belief that it is the government's role to provide seed money to stimulate development beyond what normal market conditions create.⁹
- **Colonization funding:** Funding based on the belief that it is the government's role to finance the expansion of settlement.
- **Consolidation funding:** Funding based on the belief that it is the government's role to combine or centralize government services.
- **Compassionate funding:** Funding based on the belief that it is the government's role to assist communities that are unable to adequately provide for themselves based on having funding distributed on a per capita basis.
- **Politically correct funding:** Funding based on the belief that it is the government's role to meet the electoral needs of particular parties, incumbents, and candidates.

Catalytic and colonization funding do not appear to provide an adequate explanation for the higher funding for Tier 1 municipalities. Neither type of funding should be necessary in the southern part of the province (south of Edmonton). That area has been populated for over a century and already has a well-developed network of physical infrastructure. In the northwestern portion of the province, catalytic or colonization funding might be behind the disparity in funding. However, this is unlikely given the amount of time (seventeen years) that unequal funding for Tier 1 municipalities has been in place and the fact that 82% of the grants to Tier 1 municipalities were for operations rather than capital investment.¹⁰

⁸ A "region" means a Tier 1 municipality, towns and villages within the boundaries of the municipality, and urban areas surrounded by the municipality alone or in conjunction with other municipalities. This covers the cities of Grande Prairie, Cold Lake, Brooks, Lethbridge, and Medicine Hat, the towns of Peace River and Drumheller, and 178 other municipalities – in total 62% of all municipalities (excluding summer villages).

⁹ Interview with Roger Gibbins 23:54

¹⁰ In contrast, operating grants to other municipalities were 41% of their grants.

If the intent is to provide catalytic funding, supporters of that approach might argue that even high levels of operational funding for Tier 1 municipalities are desirable because the infrastructure in those areas, in particular roads, are necessary for the operation of agricultural and resource extraction activities. There are some serious difficulties with this reasoning:

In terms of consolidation funding, the provincial government has been making efforts to increase efficiency through grants for government services such as regional water treatment and waste management. The heavy, long-term reliance on operational grants for Tier 1 municipalities indicates that either consolidation funding is not a major component of provincial objectives or has not been successful in increasing efficiency.

Of the remaining explanations for unequal funding, politically-correct funding might be a factor considering that thirty-one (42%) of the municipalities in Tier 1 are already in good financial shape based on their higher than average per capita property assessments and lower than average tax rates (Table 4). Although deserving of attention, it is beyond the scope of this report to analyze the anomaly of residents in more financially-secure municipalities receiving a substantially larger per capita share of financial assistance.

The remaining explanation for unequal funding – compassion – is not evident to any great extent in the data on grants (Table 4). There appears to be some effort to provide extra help to towns and villages with low financial capacity. In view of the large number of towns and villages with low financial capacity not in Tier 1 and the preference for helping more financially well-endowed municipalities, compassionate assistance appears to play only a small role in granting strategies.

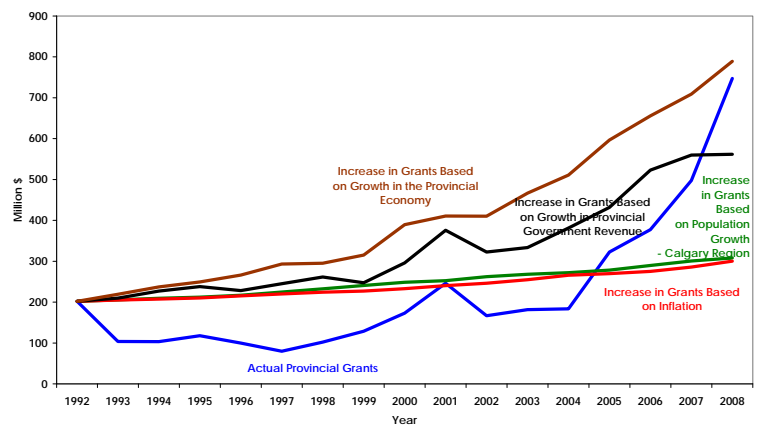
In summary, except for the possibility of a politically correct motivation, there is not, based on these data, a convincing explanation for the philosophy behind higher financial assistance for Tier 1 municipalities.

Impact on the Calgary Region

Provincial Assistance to the Calgary Region Has Not Kept Pace With Growth

Provincial funding to municipalities in the Calgary region has not kept pace with growth in the provincial economy, Alberta's inflation rate, or population growth in the region (Figure 5). Although federal grants to municipalities in the region have exceeded those growth indicators, the overall deficit in funding to the region since 1992 ranges from \$320 million (2008\$) compared to inflation to \$3.8 billion compared to growth in the provincial economy.

Figure 5
Provincial Grants to Calgary Region
Compared to Performance Measures



- It has not been demonstrated that targeting municipalities for that type of special treatment is effective and provides a net benefit to the province.
- It has also not been demonstrated that a strategy favoring agriculture and resource extraction is superior to strategies that support other industries, especially those that provide greater economic diversification.
- It is questionable if this type of support is an appropriate component of the government's program for assisting municipalities.
 - In terms of senior government objectives, high levels of catalytic funding for Tier 1 municipalities are a hidden subsidy. While, based on historical evidence, subsidies for agriculture are inevitable and possibly socially desirable, this is not the case for resource extraction industries that can and should be able to compete in a market free from government intervention designed to artificially stimulate economic activity.
 - In terms of local autonomy, high levels of catalytic funding are a method of dictating federal and provincial priorities rather than responding to local needs and create an unlevel playing field for municipalities competing for development opportunities.
 - High levels of catalytic funding, particularly over a long period of time, may mean that the municipalities in need of that type of assistance are not viable as economic entities independent of direct provincial control.

Table 4									
Per Capita Federal and Provincial Financial Assistance and Municipal Financial Capacity (2008\$)									
Municipality	Tier 1							Average	n
	High Financial Capacity	Mid-Range Financial Capacity	Low Financial Capacity	Improving Financial Capacity	Declining Financial Capacity	No Trend in Financial Capacity			
Cities	-	-	-	-	-	-	0	0	
Towns	-	-	546	866	-	-	698	4	
Villages	-	704	709	-	618	623	674	21	
Counties & Municipal Districts	759	878	-	686	948	642	787	45	
Other	968	-	-	-	-	-	968	3	
Average	778	871	621	745	934	639	793		
n	31	10	14	3	9	6		73	
Municipality	Tiers 2-4							Average	n
	High Financial Capacity	Mid-Range Financial Capacity	Low Financial Capacity	Improving Financial Capacity	Declining Financial Capacity	No Trend in Financial Capacity			
Cities	281	-	-	312	-	293	282	15	
Towns	316	315	321	292	295	355	320	105	
Villages	371	384	338	378	337	346	345	76	
Counties & Municipal Districts	349	-	-	-	-	448	355	18	
Other	297	-	-	352	-	7	299	8	
Average	290	322	326	310	296	350	295		
n	58	17	77	21	9	40		222	
Excludes									
<ul style="list-style-type: none"> summer villages because meaningful per capita data can not be calculated four other municipalities because of insufficient data to estimate financial capacity. 									
Financial capacity is measured using a combination of property value and tax rate. See the Appendix on how financial capacity was estimated.									

Municipalities in the Calgary Region Made Up the Funding Shortfall Primarily With Increased Property Taxes and Fees

As with Alberta municipalities in general, municipalities in the Calgary region relied primarily on property taxes and sales and user charges to make up for the shortfall in provincial funding. Prior to the surge in provincial grants, property taxes and sales/user charges accounted for just under two-thirds of increased revenue (Table 5). After the funding surge, property taxes and sales/user charges accounted for half of increased revenue. Franchise and concession contracts and return on investments each contributed an additional 14% before 2005. With the fall in the stock market, investment income only contributed 2% overall from 1992 to 2008.

	Net Property Tax	Sales and User Charges	Franchise and Concession Contracts	Return on Investments	Federal and Provincial Grants	Other Revenue
Pre-2005	32.8%	31.4%	14.5%	14.1%	-0.9%	8.1%
1992-2008	27.3%	23.5%	9.5%	1.7%	25.6%	12.4%

Assistance to the Calgary Region Ranks Well Below Tier 1 Funding

Federal and provincial grants to municipalities in the Calgary region from 1992 to 2008 have averaged \$292 per capita per year (2008\$), 12% below the provincial average and almost two-thirds less than the average for Tier 1 municipalities (Table 6). Sixty per cent of the grants have been for capital projects, 19% more than the provincial average.

The rural dominance of grants is not present in the Calgary region. Only one of the three rural municipalities in the region is in Tier 1. The other rural municipalities received less than \$340 per capita per year with Rocky View County receiving the smallest amount of grants per capita in the region.

Municipality	Status	CRP Member	Tier	Average Per Capita		
				Operating Grants	Capital Grants	Total Grants
Airdrie	City	✓	4	82	181	263
Banff	Town	✓	2	140	322	462
Black Diamond	Town	✓	2	135	250	386
Calgary	City	✓	4	110	178	287
Canmore	Town	✓	2	84	288	373
Chestermere	Town	✓	4	89	176	266
Cochrane	Town	✓	3	80	260	340
Crossfield	Town	✓	4	68	170	238
Foothills	Municipal District		3	289	46	336
High River	Town	✓	4	158	100	258
Irricana	Town	✓	3	97	244	341
Nanton	Town	✓	2	81	360	440
Okotoks	Town	✓	3	78	273	351
Rocky View	County		4	182	38	220
Strathmore	Town	✓	2	95	366	461
Turner Valley	Town	✓	2	103	330	434
Wheatland	County		1	455	74	530
Regional Average – including Calgary				116	177	292
Regional Average – excluding Calgary				154	171	325

- CRP = Calgary Regional Partnership
- The Calgary region is defined as municipalities that belong to the CRP, former members of the CRP, and municipalities within 25 km of downtown Calgary. The Tsu T'ina Nation and the townsite of Redwoods Meadows are not included because they are not municipalities.

Appendix: Data and Methodology

The data used in this analysis comes from the Municipal Financial Information System (MFIS) maintained by the Alberta Government's Ministry of Municipal Affairs.¹¹ MFIS is the most comprehensive data base of financial information on municipalities in Alberta. It is derived from financial statements that municipalities are required to submit to the provincial government each year.

The data are reported by municipalities based on their records. There may be differences from data compiled from other government sources due to differences in the fiscal year, money assigned to a project vs. money actually allocated and received, and classification of revenues and expenditures for accounting and reporting purposes.

MFIS data are available through a website for 1994 to the present. Data for prior years can be obtained upon request. This analysis used data from 1992 to 2008. That period was chosen because it provides a long period for which good quality data were available and important choices were required of governments in terms providing financial assistance and managing changes in that assistance.

MFIS data were adjusted to conform to existing municipal classifications. For example, a town that became a city during 1992-2008 was classified as a city for the entire period. In a couple cases where new municipalities were created, it was not possible with the available data to identify financial information that corresponded to the new municipality prior to its creation. A summary of changes in municipalities is provided in Table A-1.

The Alberta Government classifies some municipalities outside the normal categories of cities, towns, villages, summer villages, municipal districts, and counties. These municipalities are improvement districts, specialized municipalities, and the Special Areas. They are classified as "other" for this analysis.

To evaluate trends, senior government funding was compared to growth in the provincial economy, federal or provincial government revenue, inflation, and population. The sources for this information are:

- **Growth in the Provincial Economy (gross domestic product):**
 - Alberta Finance
 - 1992-1998
(http://www.finance.gov.ab.ca/aboutalberta/2001_eco_accts_ab_canada_comparison.pdf - December, 2006, page removed)
 - 1999-2008
 - Provincial budgets 2001-2009
(<http://www.finance.alberta.ca/publications/budget/budget2001/eco.pdf> through <http://www.finance.alberta.ca/publications/budget/budget2009/eco.pdf>)
- **Growth in Federal Government Revenue:**
 - Government of Canada
 - [Federal Government Public Accounts](#), Table 3
- **Growth in Provincial Government Revenue:**
 - Government of Alberta
 - "Historical Fiscal Summary, 1987-88 to 2009-10," *Budget 2007*
(http://www.finance.alberta.ca/publications/budget/budget2007/fiscal_tables_charts.pdf), p. 69
 - "Historical Fiscal Summary, 1993-94 to 2012-13," *Budget 2010*
(<http://www.finance.alberta.ca/publications/budget/budget2010/fiscal-plans-tables.pdf>), p. 89
- **Inflation (Consumer Price Index):**
 - Statistics Canada, "[Consumer price index, historical summary, by province or territory](#)," 1990 to 1994, 1995 to 1999, 2000 to 2004, and 2005 to 2008
- **Growth in Population:**
 - Alberta Municipal Affairs. [Official Populations](#)¹².

¹¹ Alberta Municipal Affairs. [Municipal Financial & Statistical Data](#)

¹² "Official" population does not include residents living on First Nations reserves.

Table A-1 Changes Made to Data To Conform to Existing Municipal Classifications			
Municipality	Change in Status	Date	Change in Data
City of Drumheller	Amalgamated with M.D. of Badlands to become Town of Drumheller	1998	Data assigned to Town of Drumheller
City of Fort McMurray	Amalgamated with Improvement District No. 143 to become Municipality of Wood Buffalo	1995	Data assigned to Regional Municipality of Wood Buffalo
Improvement District No. 6	Changed to M.D. of Ranchland	1995	Data assigned to M.D. of Ranchland
Improvement District No. 8	Changed to M.D. of Bighorn	n.a.	Data assigned to M.D. of Bighorn
Improvement District No. 12	Split into I.D. 12 and Jasper Improvement District	1995	Data not available for Jasper Improvement District prior to 1995
Improvement District No. 14	Changed to M.D. of Yellowhead	1994	Data assigned to Yellowhead County
Improvement District No. 15	Changed to M.D. of Woodlands	1994	Data assigned to Woodlands County
Improvement District No. 16	Changed to M.D. of Greenview	1994	Data assigned to M.D. of Greenview
Improvement District 17 (East/North)	Changed to M.D. of Opportunity	1995	Data assigned to M.D. of Opportunity
Improvement District 17 (East/South)	Changed to Improvement District No. 124	n.a.	No data
Improvement District 17 (Central)	Changed to Improvement District No. 125	n.a.	No data
Improvement District 17 (West)	Changed to M.D. of East Peace	n.a.	No data
Improvement District No. 18	Split into Improvement District No. 18 North & South. Portions of I.D. 18 North incorporated into Regional Municipality of Wood Buffalo and portions of I.D. 18 South merged into M.D. of Bonnyville and then formed into Lakeland County	1995	Data for Improvement District No. 18 could not be assigned to particular municipalities.
Improvement District No. 19	Changed to M.D. of Birch Hills	1995	Data assigned to Birch Hills County
Improvement District No. 20	Changed to M.D. of Saddle Hills	1995	Data assigned to Saddle Hills County
Improvement District No. 21	Changed to M.D. Of Clear Hills	1995	Data assigned to Clear Hills County
Improvement District No. 22	Changed to M.D. of Northern Lights	1995	Data assigned to M.D. of Northern Lights
Improvement District No. 23	Changed to M.D. of Mackenzie	1995	Data assigned to Mackenzie County
Improvement District No. 124	Changed to M.D. of Lesser Slave River	1995	Data assigned to M.D. of Lesser Slave River
Improvement District No. 125	Changed to M.D. of Big Lakes	1995	Data assigned to M.D. of Big Lakes
Improvement District No. 143	Amalgamated with City of Fort McMurray to become Municipality of Wood Buffalo	1995	Data assigned to Regional Municipality of Wood Buffalo
Lakeland County	Amalgamated with Town of Lac La Biche to form Lac La Biche County	2007	Data from previous years combined for Town of Lac La Biche & Lakeland County. Lac La Biche County treated as a specialized municipality
M.D. of Badlands	Amalgamated with City of Drumheller to become Town of Drumheller	1998	Data assigned to Town of Drumheller
M.D. of Bonnyville	Split into M.D. of Bonnyville and Lakeland County	1998	Data not available for Lakeland County prior to 1998
M.D. of East Peace	Changed to Northern Sunrise County	2002	Data assigned to Northern Sunrise County
Summer Village of Alberta Beach	Changed to village	1999	Treated as a village
Summer Village of Chestermere	Changed to town	1993	Treated as a town
Summer Village of Edmonton Beach	Name changed to Spring Lake	1999	Data assigned to Village of Spring Lake
Summer Village of Spring Lake	Changed to village	1999	Treated as a village

**Table A-1
Changes Made to Data
To Conform to Existing Municipal Classifications**

Municipality	Change in Status	Date	Change in Data
Summer Village of White Gull	Dissolved	2003	Data assigned to County of Athabasca
Town of Brooks	Changed to city	2005	Treated as a city
Town of Cold Lake	Amalgamated with Town of Grand Center	1996	Data assigned to City of Cold Lake
Town of Cold Lake	Changed to city	2000	Treated as a city
Town of Gleichen	Dissolved	1998	Data assigned to Wheatland County
Town of Grand Center	Amalgamated with Town of Cold Lake	1996	Data assigned to City of Cold Lake
Town of Irvine	Dissolved	1996	Data assigned to Cypress County
Town of Lac La Biche	Amalgamated with Lakeland County to form Lac La Biche County	2007	Data from previous years combined for Town of Lac La Biche & Lakeland County. Lac La Biche County treated as a specialized municipality
Village of Bentley	Changed to town	2001	Treated as a town
Village of Blackie	Dissolved	1997	Data assigned to M.D. of Foothills
Village of Burdett	Dissolved	2003	Data assigned to County of Forty Mile
Village of Cayley	Dissolved	1996	Data assigned to M.D. of Foothills
Village of Cluny	Dissolved	1995	Data assigned to Wheatland County
Village of Coalhurst	Changed to town	1995	Treated as a town
Village of Eaglesham	Dissolved	1996	Data assigned to Birch Hills County
Village of Entwistle	Dissolved	2000	Data assigned to Parkland County
Village of Evansburg	Dissolved	1998	Data assigned to Yellowhead County
Village of Grassy Lake	Dissolved	1996	Data assigned to M.D. of Taber
Village of Hairy Hill	Dissolved	1996	Data assigned to County of Two Hills
Village of Irricana	Changed to town	2005	Treated as a town
Village of Lavoy	Dissolved	1999	Data assigned to County of Minburn
Village of Legal	Changed to town	1998	Treated as a town
Village of Mirror	Dissolved	2004	Data assigned to Lacombe County
Village of Onoway	Changed to town	2005	Treated as a town
Village of Plamondon	Dissolved	2002	Data assigned to Lakeland County
Village of Radway	Dissolved	1996	Data assigned to County of Thorhild
Village of Rumsey	Dissolved	1995	Data assigned to Starland County
Village of Sangudo	Dissolved	2007	Data assigned to Lac Ste. Anne County
Village of Torrington	Dissolved	1997	Data assigned to Kneehill County
Village of Wanham	Dissolved	1999	Data assigned to Birch Hills County
Village of Warspite	Dissolved	2000	Data assigned to Smoky Lake County

NOTE: This table does not identify changes from a municipal district to a county since MDs and counties are grouped together for this analysis. Addition or loss of population due to annexation is included for the year the changes were recorded.

Sources: Alberta Municipal Affairs, [Municipal Profiles](#) (and data from the predecessor web page <http://www.municipalaffairs.gov.ab.ca/cfml/profiles/index.cfm> - page removed) supplemented by documents relating to specific municipalities.

Per capita statistics are the foundation of the analysis of equitable funding. There are alternatives to per capita data, but as shown in Table A-2 the alternatives are not suitable.

Per capita funding for summer villages was not calculated. Since there are a relatively small number of permanent residents of summer villages compared to residents during the summer or holiday periods, per capita statistics do not provide a meaningful representation of the demand on summer village budgets. Calculating funding for summer villages according to the number of residences (permanent and seasonal) was considered, but not used. (See Table A-2.)

In the few instances where data were missing or inconsistent, most issues were resolved through consultation with government officials. In the remaining cases (less than 2% of all data), inconsistencies and missing data were either replaced where it was obvious that better information could be interpolated or extrapolated from data for other years or left untouched (usually blank) if a reasonable substitute could not be found. Most inconsistent or missing data were from summer villages, improvement districts, and the villages and towns that have been dissolved. These types of municipality account for a small proportion of data: on average during the period less than 1% of the population and less than 1% of total federal and provincial grants.

Table A-2 Alternatives to Per Capita Comparisons	
Alternate Indicator	Assessment
Total Amount of Funding	<ul style="list-style-type: none"> Population and other factors vary considerably among municipalities.
Per Residence	<ul style="list-style-type: none"> Residential numbers and the size of residences are influenced by settlement patterns which vary considerably from municipality to municipality. Residential numbers are influenced by financial health which varies considerably from municipality to municipality. For summer villages, it is unclear how a per residence calculation relates to demand for municipal services.
Per Unit of Physical Infrastructure (e.g., kilometers of water lines or roads)	<ul style="list-style-type: none"> Physical infrastructure is only one measure of economic and social need. Physical infrastructure is not a measure of economic and social infrastructure. The amount of physical infrastructure is determined by settlement patterns. The desirability and sustainability of settlement patterns are not known and are dependent on financial factors. No uniform, meaningful measure of infrastructure – physical, economic, or social – could be developed.
Need for Funding	<ul style="list-style-type: none"> Need for funding is a key issue. Need for funding is influenced by settlement patterns and other economic, social, environmental, and political factors. The type of need varies from municipality to municipality. As with comparisons based on infrastructure, no uniform, meaningful measure of need could be developed.
Objectives of Grant Programs	<ul style="list-style-type: none"> The objectives of grant programs have changed and are usually general in nature or deal with the technical specifications of activities. The desirability and sustainability of program objectives are not known. No uniform, meaningful measure of program objectives could be developed.

Property values within a municipality were measured using data on equalized assessment per capita. Tax rates within a municipality were measured using data on the equalized municipal tax rate. The data on property values and tax rates were combined to estimate the financial capacity of municipalities.

In combining property values and tax rates to estimate financial capacity, municipalities were designated as being “higher” or “lower” based on the median per capita values for all municipalities averaged over the periods that data were available.¹ In years when there were an odd number of municipalities, the municipality at the median was classified as higher in terms of property value and lower in terms of tax rate.

In measuring financial capacity, seven categories were used:

1. **Lower Value/Higher Tax:** Municipalities with
 - a. equalized assessment per capita less than the median
 - b. equalized municipal tax rate greater than the median
2. **Lower Value/Lower Tax:** Municipalities with
 - a. equalized assessment per capita less than the median
 - b. equalized municipal tax rate less than or equal to the median
3. **Higher Value/Higher Tax:** Municipalities with
 - a. equalized assessment per capita greater than or equal to the median
 - b. equalized municipal tax rate greater than the median

¹ Uniform, reliable data on equalized assessment and equalized municipal tax rate are available from 1997 to 2008.

4. **Higher Value/Lower Tax:** Municipalities with
 - a. equalized assessment per capita greater than or equal to the median
 - b. equalized municipal tax rate less than or equal to the median
5. **Increased Financial Capacity:** Municipalities that
 - a. were not consistently in any of the first four categories
 - b. showed a trend to increased financial capacity
6. **Decreased Financial Capacity:** Municipalities that
 - a. were not consistently in any of the first four categories
 - b. showed a trend to decreased financial capacity
7. **No Trend in Financial Capacity:** Municipalities that were not in any of the preceding categories.

Based on data for 1997-2008,² municipalities (excluding summer villages) were assigned to the categories using these criteria:

1. A municipality was considered to be in one of the first four categories of financial capacity if, at a minimum, in all years but one it was in that category.
2. If not assigned to one of the first four categories, the financial capacity of a municipality was considered to be increasing if during the last three years it was in a higher category than in 1997 without falling to a lower category in the interim.
3. If not assigned to one of the first four categories, the financial capacity of a municipality was considered to be decreasing if during the last three years it was in a lower category than in 1997 without moving to a higher category in the interim.
4. Higher and lower financial capacity were classified in this manner:

Ranking of Financial Capacity	
Ranking	Category
High	Higher Value/Lower Tax
Mid-Range	Higher Value/ Higher Tax or
	Lower Value/ Lower Tax
Low	Lower Value/ Higher Tax

5. In other situations, there was considered to be no trend in financial capacity.

To evaluate which municipalities received the most favorable financial assistance, municipalities (excluding summer villages) were divided into four quartiles based on the average per capita grants received from senior governments by the municipality during the 1992-2008 period. These quartiles were labeled:

- **Tier 1:** Highest Assistance
- **Tier 2:** Higher Assistance
- **Tier 3:** Lower Assistance
- **Tier 4:** Lowest Assistance

² Uniform, reliable data on both assessment and tax rate are not available in MFIS prior to 1997.