FUTURE OF LOCAL GOVERNANCE

Convention Policy Paper

August 2009

1   INTRODUCTION

This Policy Paper is the result of many years of policy development by the Alberta Urban Municipalities Association (AUMA).   While AUMA has adopted several Policy Papers that *touch upon* local/municipal governance, this 2009 Paper and the 2009 Future of Local Governance Initiative *focus on* governance in Alberta.   AUMA actions/decisions leading to the 2009 Future of Local Governance (FOLG) are found in Appendix 1.

In the past five years, there has been a lot of discussion about what makes a sustainable municipality.   AUMA uses the Brundtland Commission's definition of sustainability: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[1] AUMA encourages municipal governments to carry out sustainability planning, taking into consideration the 5 dimensions of sustainability: governance, environmental, economic, social and cultural. **AUMA's FOLG initiative focuses on the governance dimension of sustainability, with the recognition and acknowledgement that other sustainability dimensions affect governance.**

Sustainable or viable governance and government have been discussed by provincial and municipal officials in Alberta over the past several years. The Minister of Municipal Affairs has provided the following criteria for a sustainable or viable municipality in speeches and addresses:

1. the capacity to deliver services as per the *MGA*;
2. the ability to plan for the future; and
3. the capacity to manage risk.

Alberta Municipal Affairs does not currently have a formal and specific definition of sustainability.

AUMA believes it is important to define sustainability, and also believes that any exploration of sustainability needs to begin by highlighting that all municipalities require access to adequate resources and revenues. Other orders of government play a big part in meeting this need, and must continue to play a large role in economic/fiscal sustainability of municipalities.   AUMA has developed and proposed solutions regarding the resources/revenue question in the past and in 2010 will again focus on this area.

Many municipal governments have long-term, strategic and/or sustainability plans that assist in achieving municipal goals towards a desired future. Some municipalities stress environmental sustainability as key to thriving in the future, others focus on fiscal sustainability. Municipal governments that accomplish great things in the economic/fiscal, social, cultural and environmental dimensions of sustainability are using Alberta's strong system of local government to make these achievements, and are thriving under the current system.   Some municipalities may need to enhance and improve their governance in order to move forward in all dimensions of sustainability.   Sometimes this improvement might

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[1] 1987. Brundtland Commission. *Our Common Future* (1987), Oxford: Oxford University Press.

lead to a change in a governance structure, other times it may mean gaining greater knowledge and understanding of governance and leadership, and still other times improvement may mean partnering with neighbouring municipalities to achieve common goals for the citizens in the most effective manner possible.

Therefore, while adequate revenues are vital to municipal sustainability, AUMA believes strongly that effective municipal governance is also fundamental to sustainability. The membership stated this idea very clearly at the 2008 Convention, which is why the AUMA Board of Directors chose to embark on a study of municipal governance sustainability in 2009 through the FOLG initiative. What follows are recommendations that AUMA believes will ensure Alberta's municipal governance structures are advancing municipal sustainability in the province.

2   BACKGROUND

Several steps led to the development of this Policy Paper. AUMA first reviewed municipal government restructuring in other jurisdictions in the following paper: *Local Governance: A Short Review of Changes in Various Jurisdictions.* An online survey on the topic was conducted, and the findings were published in a *Future of Local Governance Online Survey Report*. A third document, the *Discussion Paper on the Future of Local Governance*, was developed and published as a tool for discussion at the 2009 AUMA President's Summit on Local Governance.

The President's Summit on Local Governance, held on April 30 and May 1, 2009 in Red Deer, included workshops where participants considered and discussed potential municipal governance models. The discussions from the Summit are summarized in the *President's Summit Proceedings* document[2]. The following points were emphasized by the President's Summit participants:

- Appreciation for the opportunity to review various governance models was voiced; however, there is no one governance model that can be applied across Alberta. Each situation/area is unique.
- Urban and rural municipal governments are equally affected by discussions regarding changes to local governance structure.
- AUMA and AAMDC should work together on this initiative.
- A Toolkit for municipal governance sustainability is required (including performance measures).
- Progress in sustainability would improve if the Government of Alberta would supply the criteria it is using to define "sustainable" or "viable" municipal governments.

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[2] All documents are available on the AUMA website; please visit www.auma.ca, select Toolkits & Initiatives and then Future of Local Governance.

3 WHAT IS A SUSTAINABLE MUNICIPAL GOVERNMENT?

AUMA proposes the following Vision for Sustainable municipal governments:

Alberta municipal governments will foster sustainable communities that have a healthy democracy, environment, economy, social and cultural life.

Governance Sustainability Statements:

Three broad statements about Sustainable Local Governance were considered at the 2009 President's Summit. Incorporating the feedback from the Summit, the Statements were revised as follows:

Sustainable Local Governance means

> …providing and delivering infrastructure and services to citizens in an **Effective, and Efficient** manner, while all the time recognizing the paramount position of local citizens, and while engaging them. Municipal governance sustainability is dependent on the community's **Confidence** in its local government to accomplish its goals and the community's **Support** for accomplishing those goals.

> … adhering to a consistent, strong and transparent **Accountability System** for all Municipal Governments, which is easily understood, trusted by citizens and recognized by the provincial government. Accountability System components include long-term plans, policies, performance measures and annual Sustainability Reports.

> … developing **strong inter-governmental coordination and cooperation** (including partnerships with other local governments and other orders of government) that enable responsiveness to citizen needs when those needs cannot be fulfilled by one government alone. Coordinating and cooperating with other governments depends, in part, upon the community's **Resources** or **Adequate Access to Resources** (population, local economy, property tax assessment base).

Discussions at the President's Summit also included indicators that could measure progress on the governance sustainability statements. These discussions have been captured, and will form the work of a sub-group being established by AUMA. The sub-group will develop a Toolkit for municipal governments to evaluate their sustainability. An accountability system[3] will also be developed that includes performance measures and other tools that will help municipal governments achieve governance sustainability. This work will be carried out through 2009 and into 2010.

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[3] The work of the AUMA sub-group links with AUMA's proposed Provincial-Municipal Partnership Agreement. The partnership recommends sustainability accountability and reporting system. The system would be outcomes-based, and would include sustainable annual transfers from the Government of Alberta to municipal governments. Please see AUMA's *Provincial-Municipal Sustainability Partnership Agreement* (2008), published at http://www.auma.ca/live/digitalAssets/21/21892_Provincial_Municipal_Sustainability_Partnership_1015.pdf. It will also be linked to AUMA's Municipal Sustainability Planning (MSP) initiative: www.msp.auma.ca.

Core Values or Beliefs Regarding Governance Sustainability:

A. Alberta municipal governments are an **autonomous** order of government, and are responsible and accountable for governing their communities.

B. In order to achieve sustainability, Alberta municipal governments **must have, or be in the process of developing the capacity** required for self-determination. Full capacity to be self-determinant could include: a greater portion of revenues from property tax than from transfers, many candidates to fill spots on Council and municipal committees, high quality municipal employees with a low turnover rate.

C. **Sustainable and adequate revenue sources** for municipal governments will allow municipal governments to achieve their vision for sustainability.

D. When suggestions are made to change municipal governance structures in Alberta, the **citizens** must become educated about proposed changes and **decide** upon the changes.

E. **Definitions of urban or rural types of government are not relevant** to enhancing the sustainability of Alberta's municipal governance system.

F. **There is no single governance model** that Alberta municipal governments should be forced to adopt. It is more important for municipal governments to evaluate their sustainability as a government. If change is required, the municipal government and its citizens can choose to bolster their capacity and become sustainable or move towards a different model.

4   ROLES IN SUPPORT OF SUSTAINABLE LOCAL GOVERNANCE

In Alberta, the **provincial government** is the entity that legislates local government form and makes official changes to local government structure.

The President's Summit on the Future of Local Governance demonstrated strong support for financial incentives to assist in changing governance relationships and/or government structures.   For many years, the Government of Alberta has encouraged municipal governments to cooperate and work together on projects through grant conditions and requirements, but these incentives have not had widespread success in reducing inter-municipal conflict, and for allowing for innovative infrastructure/service delivery to citizens.

Incentive systems in Québec and Denmark are described in the AUMA Discussion Paper on FOLG. It is essential that incentives for making change be carefully studied and applied. AUMA suggests that the Government of Alberta work with the Association to review incentive programs and build a "made-in-Alberta" incentive solution that would encourage municipal governments to change if their sustainability assessment showed that they should restructure or change.

AUMA and other municipal associations have a role to play in assisting municipalities to assess their sustainability, plan for a sustainable future and advocate such a system to the Government of Alberta.   AUMA has shown leadership in developing a Municipal Sustainability Planning (MSP) Toolkit, providing sustainability education/training, and supporting municipalities through a process of Municipal Sustainability Planning. AUMA has also advocated for a new relationship with the Government of Alberta through a Provincial-Municipal Partnership Agreement.   AUMA's next step is to develop a "Sustainable Governance Toolkit". Examples of Tools include:

- A process to evaluate municipal governance sustainability of one's municipality (within the context of all five sustainability dimensions)

- Tools to help build capacity where a municipality does not measure up

- Engaging citizens in looking at sustainability of the municipality

- Developing and learning how to use performance measures that are consistent for all Alberta municipal governments, and can be used to measure the sustainability of a municipality

- Advocating, policy, program and legislative tools for restructuring

- Case studies or examples where municipal governments have successfully reviewed and made changes to their governance to achieve their vision.

- References and linkages to existing Toolkits (e.g.: Municipal Sustainability Planning (MSP) Toolkit, Citizen Engagement Toolkit, Welcoming and Inclusive Communities Toolkit).

AUMA will ask other municipal associations to become partners in developing and delivering the "Sustainable Governance Toolkit".

Municipal governments are encouraged to review their governance, and ensure that municipal services and infrastructure are planned and delivered with an integrated approach to achieving municipal governance sustainability. Many Alberta municipal governments are leaders in this area already, and those who are starting to plan for municipal governance sustainability can look to those leaders for ideas and counsel. With the goal of strengthening local democracy and raising awareness and understanding of the value of municipal government amongst citizens, AUMA has strongly encouraged citizen engagement by municipal governments.

Alberta citizens themselves have an important role to play in enhancing municipal and community sustainability. AUMA and municipal governments should be prepared to assist citizens in understanding sustainability and municipal government, and they should provide them with the capacity and resources to become more engaged in their communities. The core values/beliefs provided in Section 3 demonstrates the need for all municipalities to engage with and provide resources to their citizens in order to achieve municipal sustainability.

5 GOVERNANCE MODELS

At the President's Summit[4], participants worked in groups of 6-8 people to review the risks/challenges and benefits to six different governance models. These models are outlined in Appendix 2. There was no consensus on a single best model for Alberta. Instead, the Summit participants suggested that there is no "one-size-fits-all" governance model for Alberta. Rather, different models might work for different communities, and a tool to assess sustainability that might suggest one or more possible models would be most beneficial to municipalities.

Municipal legislation in Alberta would then have to be flexible enough to allow municipalities to determine when they need to consider other governance forms, and legislation would have to be revised to allow municipalities to take on a different governance form if their studies found that they would better achieve sustainability under a different governance form. Proposed legislative changes will form the work of a sub-group being established by AUMA.   The sub-group will make proposals for changes to the MGA that will enable municipalities to implement more effective governance.   The sub-group will review and proposes changes to legislation such that municipalities are not forced into a certain governance model, but instead are enabled to assess their governance sustainability either alone or with neighbours, and implement the option that works for them on the local and/or regional level.

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[4] For full details on the President's Summit, please visit www.auma.ca, select Toolkits & Initiatives and then Future of Local Governance. The *2009 President's Summit Proceedings* document is posted on that webpage.

6   CONCLUSION AND RECOMMENDATIONS

The Future of Local Governance initiative is an ongoing effort. AUMA is a voice for the membership, and strives to provide value for the membership. To press forward in both of those areas, this Policy Paper proposes recommendations to municipalities, the Association, and to the Government of Alberta.

6.1 It is recommended that municipalities:

6.1.1   Endorse and promote this definition of municipal governance sustainability.

6.2 It is recommended that AUMA:

6.2.1   Develop a Future of Local Governance "package of legislative policy, program and legislative amendments" to improve municipal governance sustainability.

6.2.2   After inviting AAMDC to participate, we will develop a Municipal Governance Toolkit that would assist municipal governments as follows:

- assessing their sustainability,
- annually measuring their performance at a high level,
- linking Municipal Sustainability Planning to action and performance,
- governance change and citizen engagement, and
- transitioning to a new governance model if the municipal government and citizens choose to do so.

6.2.3   Support Alberta municipal governments in using the Municipal Governance Toolkit and other municipal capacity-building Toolkits (including an updated Citizen Engagement Toolkit).

6.2.4   AUMA advances education on municipal governance through the development of an Elected Officials Education Program (EOEP) one-day course for elected officials on the Municipal Governance Toolkit.

6.3 It is recommended the Government of Alberta:

6.3.1   Support the vision, core values and governance sustainability statements outlined in the AUMA Policy Paper on the Future of Local Governance.

6.3.2   Support AUMA by working with the Association on a Municipal Governance Toolkit that would assist municipal governments as follows:

- assessing their sustainability,
- annually measuring their performance at a high level,
- linking Municipal Sustainability Planning to action and performance,
- governance change and citizen engagement, and
- transitioning to a new governance model if the municipal government and citizens choose to do so.

6.3.3   Work with the Association to review incentive programs, and build a "made-in-Alberta" incentive solution that would encourage municipal governments to change if their sustainability assessment showed that they should make operational changes or restructure.

6.3.4   Enact a new Provincial-Municipal Partnership Agreement that is outcome-based and provides annual and adequate transfers to municipalities (as per AUMA's Convention-adopted 2008 Policy Paper: Provincial/Municipal Sustainability Partnership Agreement5).

6.3.5   Amend the MGA to remove the distinction between rural and urban municipalities.

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5 AUMA's 2008 Policy Paper: Provincial/Municipal Sustainability Partnership Agreement can be accessed at:
http://www.auma.ca/live/digitalAssets/21/21892_Provincial_Municipal_Sustainability_Partnership_1015.pdf

In 2008, the AUMA Board of Directors set out Special Assignments that would be completed over the course of the coming 2-3 years. One Special Assignment was: "Integrating Government / Municipal Government Form". Sessions were held at the 2008 AUMA Convention, where the following questions were asked:

- Do you believe municipal governance in Alberta can stay the same as it is now?
  - o The answer was a resounding "No".

- Would you support AUMA taking a lead in exploring local governance and bringing back some ideas for policy/positions to the next AUMA Convention?

  - o The answer was a resounding "Yes". Later at the Convention, when delegates selected priorities for 2009, the Future of Local Governance was among the top choices by the delegates.

As a result of the feedback from the members in 2008, the Future of Local Governance initiative was launched in 2009 with the following objectives:

- review the current state of local governance (legislative, program, policy, financial and restructuring), and current issues affecting local governance;

- develop clear options related to effective local governance, including an assessment of the effectiveness of the proposed options for change;

- consider the risks and benefits of proposed options for change and the incentives required to make changes; and

- review examples outside of Alberta where local governance has been restructured and why it worked or did not work.

The (AUMA) Board of Directors established a Task Force on the Future of Local Governance to assist AUMA in developing policy on the future of local governance in Alberta. AUMA also developed and delivered a President's Summit on the Future of Local Governance, held in Red Deer, April 30 and May 1, 2009.

APPENDIX 2

AUMA's Discussion Paper on the Future of Local Governance examined the following six models of local governance for their risks and challenges, and benefits. These were also discussed at the President's Summit.

Model #1: Status Quo

- No change to local governance
- Municipalities continue to function as they do today
- No additional changes for formation, fundamental changes or dissolution of municipalities

Model #2: Status Quo + Financial Change

- No change to municipal boundaries
- Municipalities that are unable to meet the needs of their citizens through own-source revenues, yet meet other criteria, would get a new substantial provincial grant

Model #3: Status Quo + Functional Change

- No change to municipal boundaries
- "regional cooperation" (voluntary)
- Create a new system of local governance made up of municipal governments in a region that are on equal footing, and that keep the citizen (of the region) in mind at all points of decision-making

Model #4: Single tier, full capacity (fewer municipalities) transitioning to the accountability framework as set out in the proposed Provincial-Municipal Sustainability Partnership Agreement

- Agreement on defining a sustainable municipality
- Model depends on consensus as to the process of evaluating sustainability and then restructuring
- Result: fewer municipalities
- The fewer municipalities, however, have full capacity to deliver effective, efficient and responsive infrastructure and services to citizens

Model #5: Regional Government — 2 tiers

- Additional layer of local government
- Regional government responsible for municipal functions that can be better carried out over a region, rather than a single urban municipality (e.g.: land use planning, transportation and transit, water and wastewater systems, recreation)

- Councils could be elected by citizens in the region or appointed through existing members of municipal councils located in the region.

Model #6: Council members or Committees taking on localized responsibilities

- Can be combined with other models
- Model refers to having a larger municipal government as a result of amalgamating several municipalities into one (model 4), yet put in place certain features that allow municipalities to maintain their identity and autonomy over certain municipal functions.