



Provincial / Municipal Sustainability Partnership Agreement

Prepared by: Alberta Urban Municipalities
Association

Adopted by the AUMA Convention: October 2,
2008



Framework Agreement

THE PROVINCIAL GOVERNMENT OF ALBERTA AND THE MUNICIPALITIES OF ALBERTA AGREE THIS _____ DAY OF _____, 2008

WHEREAS, the Provincial Government of Alberta and the municipalities of Alberta both provide services for the benefit and wellness of the citizens of Alberta;

AND WHEREAS, the Parties recognize that by working closer together they can improve the well being of the citizens of Alberta and the quality of services to them;

AND WHEREAS, the Parties recognize that respecting each other's responsibilities and authorities is necessary for long-term success;

AND WHEREAS, the Parties recognize that by identifying and working toward shared objectives, mutual success is attainable;

AND WHEREAS, the complexity in the municipal sector has grown significantly with demands of citizens, growth of the economy, growing complexity and number of programs, grants and processes;

AND WHEREAS, the complexity in the Provincial sector has grown significantly, making achievement of provincial objectives very challenging without the support of partners;

AND WHEREAS, there is a mutual opportunity for clearer accountability and sustainability;

NOW THEREFORE THE PROVINCIAL GOVERNMENT OF ALBERTA AND THE MUNICIPALITIES OF ALBERTA AGREE, as follows:

1. The attached framework is confirmed as the basis for engagement and negotiation of a comprehensive Provincial/Municipal Sustainability Partnership Agreement (Agreement) to establish a new relationship for the benefit of the citizens of Alberta.
2. It is acknowledged that the achievement of a comprehensive partnership Agreement will require significant and committed efforts. A significant change requires time and all components of the Agreement will not be accomplished at once. Defined milestones for achieving all components of the Agreement are necessary. Negotiators will focus their initial efforts on developing the general guidelines and provisions required to address the critical components of the Agreement that will enable the parties to meet their individual and mutual interests, as well as defining milestones for timely transition to achieve full implementation.
3. Officials will report on progress in June of each year.

IN WITNESS WHEREOF this Agreement has been executed by the Provincial Government of Alberta and the municipalities of Alberta.

Signed at Edmonton, Alberta, this ____day of _____200_

The Honourable Ed Stelmach
Premier
Government of Alberta

R. Lloyd Bertschi
President
Alberta Urban Municipalities Association
Authorized by all municipalities

Framework for a Provincial / Municipal Sustainability Partnership

Introduction:

The Provincial Government of Alberta and the municipalities of Alberta (the Parties) have agreed to establish a comprehensive Provincial/Municipal Sustainability Partnership Agreement (Agreement), in keeping with the rights of the Parties to enter into agreements. This framework outlines Purpose, Principles and Process Considerations including negotiation fundamentals. Several important issues are outlined in the Appendices. These issues are critical to the discussions and negotiations of a successful Agreement and must be considered.

Both Parties have the best interests of Albertans front of mind when they are planning their strategies and carrying out their many and varied programs and services. They are concerned for the long term sustainability of the Province and its communities to ensure Alberta remains the home of choice of its citizens, businesses and industry, and continues to attract the best and brightest for future sustainability.

This is a challenging goal for each Party and requires a balance of the five dimensions of sustainability—economic, social, environmental, cultural and governance. This framework proposes a new way that the two Parties can and should work closely in partnership to ensure Provincial and community sustainability into the future for the benefit of all citizens. Alberta led the way in creating empowering legislation for municipalities and this has fared well. It is now time to take the next step towards a true partnership focused on the Province and municipalities planning and working together to ensure Alberta is a prosperous, safe, environmentally sound, culturally vigorous, socially vibrant and caring place that is governed with vision, cooperation and accountability.

Purpose:

The purpose of the Agreement is to facilitate the evolution of a new relationship between the Provincial Government of Alberta and Alberta's municipal order of government based on the five dimensions of sustainability—economic, social, environmental, cultural and governance - where the Parties work effectively together to:

- Build strong communities with high quality of service and high quality of life
- Establish a permanent, objective-based sustainable transfer mechanism
- Set short and long-term measurable objectives, individually and mutually, to achieve the goals of sustainability
- Mandate outcomes in areas of performance
- Demonstrate their accountability to deliver on their responsibilities and agreed-to outcomes individually and mutually
- Demonstrate value for money to Albertans

A true partnership will be structured to ensure the interests of each Party and the interests of the citizens of Alberta can and will be met through the disciplined implementation of all components of the Agreement. The Parties will align their planning processes to ensure all government department plans and municipal sustainability plans are coordinated for mutual success. This will be supported by a good positive working relationship, continuous demonstration of trust, and clear communication of results to all parties.

A partnership requires strong leadership. This partnership needs the sustained leadership of the Premier of Alberta and the President of the Alberta Urban Municipalities Association, each with the full support of their colleagues and membership.

Principles of Partnership:

1. A partnership must be based on sound foundational behaviours. These behaviours must be present prior to, during and post Agreement signing. These foundation behaviours are:

- **Open communication** – willingness to share ideas and ideals, explore individual and mutual interests, without prejudice or presumption
- **Transparency** – ensure that all measures covered by the Agreement are made readily accessible
- **Trust** – build and earn mutual trust by adhering to the principles, the Agreement, demonstrating mutual respect and understanding, and seeking continued improvement for mutual benefit

2. There must be consensus on the components of the Partnership Agreement. Recommended components include:

- Provincial objectives set by the Provincial Government of Alberta
 - Clear and understandable objectives that municipalities will help achieve
- Community objectives set by municipalities through sustainability planning
- Shared objectives in program/policy areas
- Clarity of expectations of the Parties
- Permanent objective-based transfer allocation
 - Recognizes the province's economic performance and realities
 - Updated annually
- Partnership engagement mechanism
 - Transition with defined milestones
 - Change process
 - Effective and efficient dispute resolution
- Process to consider a renewed system of local governance in Alberta, taking into account:
 - Capacity, sustainability, democracy, local/neighbourhood leadership for specific tasks, community wellness
- Mechanism to coordinate efforts between municipalities and between municipalities and the province
- Accountability of the Parties to demonstrate value for the taxpayer's money - measuring success and reporting to Albertans

3. Application of the components of the Agreement needs to recognize the differences in size, capacity, and complexity of municipalities.

- This should be considered relative to sustainability planning and reporting.
- Some municipalities may need more assistance than others to fully participate in all aspects of the Agreement.
- Differences are not conditions of municipal sustainability, but realities of municipal structure in Alberta.

4. There must be strong commitment and leadership from both Parties for the long-term, and readiness to solve together the challenges of evolving to a new reality.

- Partners must be committed to maintaining the foundation behaviours throughout the partnership.
- The leaders must maintain a strong presence and vision for the success of the partnership.
- The leaders must be consistently accountable for managing the new partnership for success.
- A process of leadership accountability should be established including reporting on partnership strengths, weaknesses, successes, and changes to achieve continuous improvement.

5. Engagement is more than consultation.

- Partners must be committed to true engagement during and after Agreement negotiations.
- Engagement includes a commitment to:
 - i. respect each other's issues and interests,
 - ii. problem solve,
 - iii. find solutions,
 - iv. communicate openly.

Process Considerations:

1. Agreement Engagement and Negotiations

Engagement and negotiations will proceed on the basis of:

- Demonstrating the foundational behaviours,
- Mutual understanding and the desire to meet each Parties' interests,
- Greater success will be achieved by the Parties through understanding and focusing on mutual interests,
- Disputes will be resolved by the Parties in an effective, inexpensive and timely manner (for example, the effective engagement mechanism identified by AUMA in its member approved recommendations for MGA amendments).

2. Process for securing authority of municipalities

- AUMA Board will take the Framework and Agreement to the membership for approval,
- Member municipalities will be asked to sign an agreement authorizing the President to sign on their behalf,
- Substantial (two thirds majority) support of municipal governments in Alberta, in addition to approval of the City of Edmonton and the City of Calgary is required,
- With two thirds majority support of the members, the President can sign the Framework Agreement,
- The process for approving the signing of the Provincial/Municipal Sustainability Partnership Agreement will be determined by the Parties after signing the Framework Agreement. Support of 75% of the members is recommended as authority for the President to sign the Agreement.

3. Time frames for concluding the Agreement

- The Parties will set time frames for officials to report progress on negotiations,
- Progress reports will be submitted in June of each year,

- Once the Agreement is signed, officials of both Parties will report on successes and any issues in June of each year.

Appendices

Appendix 1 addresses the eleven recommendations in the Municipal Sustainability Initiative Analysis and Recommendations paper adopted by the AUMA Convention, November 30, 2007. Each of these contains critical issues that must be addressed during Agreement negotiations. While these do not represent an exhaustive explanation of the issues, they do provide a comprehensive listing of major issues that the Provincial Government of Alberta and Alberta municipal governments must discuss and resolve to ensure the partnership Agreement will be successful for both Parties and Albertans into the future. As other issues are identified and described, they, too, should be adequately addressed during Agreement negotiations.

In addition, Appendix 2 identifies those issues contained in the eleven recommendations that will be resolved when the Agreement, as envisioned in this Framework, comes into force.

APPENDIX 1

Recommendations from Municipal Sustainability Initiative Analysis and Recommendations paper adopted by the AUMA Convention, November 30, 2007

1. Recommendation 1

“Establish a formal Provincial-Municipal agreement that includes a permanent transfer mechanism and a partnership/engagement mechanism”

Critical Issues:

- a. Establish foundational behaviours to guide the partnership.
- b. Establish components of the Agreement (see Principle 2).
- c. Identify the interests of the Parties and why they are important.
- d. Identify mutual interests and why they are important.
 - i. Achieving provincial, municipal and mutual objectives.
- e. Identify the benefits in terms of value to the citizens of Alberta – economic, social, environmental, cultural and governance.
- f. Identify barriers to success and plan to mutually overcome them.
- g. Identify the partnership engagement mechanism.
 - i. How the Agreement will be implemented, transitioned and maintained; and
 - ii. How both Parties are involved in change decisions.
- h. Identify the mechanism for a permanent objective-based transfer of a share of provincial revenues, subject to the economic realities of the Province.
 - i. Both Parties have mechanisms to raise revenue;
 - ii. Both Parties will work together when resources are scarce;
 - iii. Both Parties are accountable to taxpayers for revenue collected, and must demonstrate value; and
 - iv. Both parties must demonstrate accountability for transfers received including any grants in addition to the permanent objective-based transfer, and for education taxes collected.
- i. A “conditional funding program” produces financial reporting against conditions. The proposed partnership Agreement requires a change to current funding systems, by moving to a new system with a permanent objective-based transfer mechanism that produces outcome reporting against priority objectives.

2. Recommendation 2

"Ensure that the allocation formula components are updated annually"

Critical Issues:

- a. Identify the mechanism for a permanent objective-based transfer of a share of provincial revenues, subject to the economic realities of the Province.
- b. The mechanism should be as fair and as simple as possible for all Parties.
- c. Consider the dimensions of sustainability: economic, social, environmental, cultural and governance.
- d. The shared revenue amount will be confirmed annually.

3. Recommendation 3

"Addition of 'road usage' factor to the roads component of the MSI formula"

Critical Issues:

- a. If Recommendations 1 and 2 are successfully included in the Agreement, then there is no need to specifically mention issues "b" through "e" in this Recommendation.
- b. If roads are to be included as a component in a permanent objective-based transfer mechanism, factors other than length of roads need to be included.
- c. The type of use a road receives has an impact on maintenance and re-development expectations and therefore costs.
- d. The type of road also has similar impacts – 4 lane paved, gravel, dirt.
- e. Consider sustainability.

4. Recommendation 4

"That the Provincial Government freezes the education property tax at \$1.4 billion"

Critical Issues:

- a. The purpose of this recommendation is to ensure that the municipal tax room is not eroded by substantial increases in the education tax levied on the municipal tax base.
- b. If a permanent objective-based transfer mechanism is implemented as envisioned in the Agreement, then this issue is not as urgent and the recommendation can be removed.
- c. Removal would be contingent on both Parties agreeing to their respective accountability for reporting on the transfers they each receive.

5. Recommendation 5

"Hold municipal governments accountable for good governance and financial management through Municipal Sustainable Planning and annual Municipal Sustainability Reports"

Critical Issues:

- a. This recommendation is critical to a successful Agreement. It will help entrench the principles and good practices to ensure each Party plans right, resources right and reports right.
- b. The Provincial Government must clearly identify its program objectives that municipal governments will be expected to help achieve through their part of the partnership Agreement.
 - i. This is a critical component of Municipal Sustainability Planning and Reporting.
- c. The Provincial Government must consolidate its focus for municipal governments such that all departments are working together as one Party to the Agreement.
 - i. Consolidate municipal information requirements;
 - ii. Consolidate/coordinate provincial programs affecting municipalities;
 - iii. Replace conditional requirements with agreed-to objectives;
 - iv. Consolidate/coordinate information to and expectations of municipalities; and
 - v. Fulfill its requirements within the Agreement as one government, not several departments working independently – departments must build capacity for this process and transition over an agreed-to timeframe.
- d. The Provincial Government must ensure that the legislative framework for municipal governments supports the new relationship envisioned in the Agreement.
- e. Establish the system of Municipal Sustainability Planning outlined in the Municipal Sustainability Initiative Analysis and Recommendations paper adopted by the AUMA Convention, November 30, 2007.
 - i. Sustainability plans must contain both the Provincial objectives and the municipal objectives that the municipality will achieve;
 - ii. Sustainability plans will be based on the five dimensions of sustainability – economic, social, environmental, cultural and governance
 - (1) social includes human wellness;
 - iii. Sustainability plans are a commitment the municipal government makes to the Provincial Government and to its citizens for the wise use of its resources for citizen, community and provincial benefit;
 - iv. Sustainability plans must not only focus on the year ahead, but have a long term focus as well;
 - v. A good planning system can be adapted to any size municipality – municipalities must build capacity for sustainability planning and transition over an agreed-to timeframe
 - (1) include recognition for differences in size, capacity, and complexity of municipalities;
 - vi. Templates and Resources have been developed and will be enhanced to facilitate consistent and quality planning processes;

- vii. The Provincial Government should ensure the development of consistent data collection systems to support high quality information that is readily available to all government departments and municipal governments;
- viii. Good information is required to plan well and appropriately. This will include methodology to assess the current and future infrastructure deficit, maintenance of accurate listings of assets, and condition of assets; and
- ix. Planning includes risk assessment of infrastructure and other assets and programs to ensure priorities are identified and justified.
- f. Establish the system of Municipal Sustainability Reporting outlined in the Municipal Sustainability Initiative Analysis and Recommendations paper adopted by the AUMA Convention, November 30, 2007.
 - i. Sustainability reporting must address both the Provincial objectives and the municipal objectives that the municipality plans to achieve;
 - ii. Reporting should be tied to outcomes and address the benefits to the citizens, including success in all five dimensions of sustainability;
 - iii. Annual Sustainability Reports will show how the municipality met its obligations to citizens and its partner, the Provincial Government;
 - iv. The Reports will contain results/outcomes achieved against pre-defined performance measures tied to the published objectives of the Sustainability Plan, and to the value achieved by the investment made through wise use of taxpayers' money received through taxation, user charges and the permanent provincial objective-based transfer;
 - v. The Annual Sustainability Report will be signed by the Mayor and the Chief Administrative Officer, and filed with the Provincial Auditor General;
 - vi. Each municipal government will publish the Report for review by citizens;
 - vii. A good reporting system can be adapted to any size municipality–municipalities must build capacity for sustainability reporting and transition over an agreed-to time
 - (1) include recognition for differences in size, capacity, and complexity of municipalities;
 - viii. Templates and Resources can be developed to facilitate consistent and quality reporting processes; and
 - ix. Good Sustainability reporting should replace the current conditions reporting contained in the many conditional grant programs.
- g. Both Parties must agree on the consequences of the Sustainability Planning and Reporting process when outcomes are not met or a municipality is no longer sustainable.

6. Recommendation 6

“Establish a process to consider and act on changing a governance structure for financially unsustainable municipalities if a Municipal Sustainability Report shows good reasons to do so”

Critical Issues:

- a. All five dimensions of sustainability should be considered—economic, environmental, cultural, social and governance—when determining sustainability of a municipality.
- b. Two cases where change to governance structures may be considered include:
 - i. The benefits of achieving economies of scale through regionalization/amalgamation outweigh the benefits of maintaining distinct municipalities; and
 - ii. A municipality is unable to sustain itself using its current property tax regime and other current revenues, and that the citizens agree to dissolve.
- c. If sustainability planning and reporting against solid performance measures is in place, some of the subjectivity is removed from determining the long-term health of a municipality and the likely need to seek restructuring.
- d. Besides financial and governance sustainability, citizens' wishes are critical and should be respected.
- e. Consistency in the application of processes for dissolution, amalgamation and other structural changes is important.

7. Recommendation 7

“Establish provincial requirements for multi-jurisdictional planning processes for municipalities”

Critical Issues:

- a. The Provincial government must clarify the framework for municipal, inter-municipal and multi-jurisdictional planning by completing the policies that guide planning as envisioned in the *Municipal Government Act (MGA)*.
 - i. This will result in clear policies for all Parties and affected businesses and organizations; and
 - ii. It is one of the necessary steps to ensure a solid and consistent framework for land use and provincial and local planning decisions.
- b. The Provincial Government is urged to consider AUMA's position papers on Multi-jurisdictional Planning and on the Provincial Land Use Framework that were approved at AUMA's convention in November, 2007.
- c. Municipalities deal with the operational side of planning while the Provincial Government sets the framework. This requires cooperation and each Party must commit to undertaking its tasks in a comprehensive and objective manner.

- d. The recommendations of the Minister's Council on Municipal Sustainability regarding Intermunicipal Cooperation were supported by the Provincial Government with considerations for consultation and the Draft Provincial Land Use Framework. Acting on these recommendations and promises are crucial to successful multi-jurisdictional planning.
- e. Regional service delivery issues and opportunities need to be addressed by highlighting successful regional partnerships and by identifying how regional cooperation helps achieve sustainability plans.
- f. The long-term mature relationship envisioned by the partnership Agreement needs provincial and municipal planning processes tightly aligned to be successful
 - i. Both Parties and processes must work together for future plans for infrastructure, land use, and transportation and utility corridors;
 - ii. Both Parties must work together toward environmental preservation;
 - iii. Both Parties must support the social and cultural community-building aspects including community and citizen wellness; and
 - iv. Both Parties must work together for the economic prosperity of the Province and its communities.

8. Recommendation 8

"Immediately begin efforts to address Municipal and Provincial roles and responsibilities (recommendations 6, 7 and 8 of the Report of the Minister's Council Municipal Sustainability)"

Critical Issues:

- a. The Provincial Government, in its response to the recommendations in the Minister's Council report, said it would "consult with municipal stakeholders to further clarify provincial and municipal roles and responsibilities, including opportunities for the consolidation and administrative streamlining of provincial funding for municipalities".
 - i. This included the areas of shared responsibility that need further clarification.
- b. Provincial and municipal responsibilities are generally clear. Where there are gaps or overlaps, the Parties will seek agreement on how they will work together to best meet Albertans' needs.
- c. Trusted partners in the new Provincial/municipal relationship will work together to solve this challenge and to meet each Party's interests.
- d. The Parties will work together to set the ground work for a long-term sustainable partnership.
- e. Once that partnership is set, processes like permanent objective-based transfers, planning, reporting and accountability, can follow.
- f. During the clarification of responsibilities of each Party, the Provincial and municipal governments should address the potential needs in these areas:
 - i. Revenue generating capacity of municipal governments consistent with their roles and responsibilities;

- ii. Review tax policies contained in the *MGA* and its regulations to ensure consistency with responsibilities; and
- iii. Address how priority provincial programs, partly or fully carried out or supported by municipal governments, will be built into the responsibilities and accountabilities of each Party.

9. Recommendation 9

"Have the Government of Alberta financially assist the Association with a study of the municipal infrastructure deficit"

Critical Issues:

- a. Both Parties need to consider the five dimensions of sustainability.
- b. In a phased approach, the Parties should address hard infrastructure first, as described below in "d" through "l".
- c. The second phase should address quality of life and community wellness and should be characterized by assessments of community and citizen wellness upon which the municipality can plan and carry out improvements with its citizens.
- d. Current collection and reporting of critical infrastructure information in municipalities is inconsistent at best and inadequate at worst.
- e. Defining the infrastructure deficit is important to establish a known and accurate baseline.
- f. The Provincial Government should not only provide financial assistance to accomplish this, but also provide leadership in defining the deficit.
- g. As municipal governments move toward reporting tangible capital assets and creating asset management systems, there will be consistency in the process, but the process must have a baseline and accurate input of data.
- h. Support will be required from the Provincial Government to ensure that municipal governments and the Provincial Government can share appropriate asset management information while protecting individual municipal or provincial interests.
 - i. This may require a shared services approach to data collection, data management, access and protection.
- i. Part of good data collection and reporting of infrastructure and other assets is maintaining information on the current condition assessment.
 - i. Infrastructure assessments should not only consider the condition of the asset, but also address factors of capacity and functionality;
 - ii. This information is critical for input to the Municipal Sustainability Planning process so a municipality can prioritize its community infrastructure needs properly, and therefore spend its resources wisely for maintenance, repair and replacement; and
 - iii. Condition assessment is a Statement of Recommended Practice by Canadian Institute of Chartered Accountants (CICA).
- j. Infrastructure deficit includes both hard and soft infrastructure and municipalities will address the soft infrastructure with similar processes for assessment, monitoring and planning.

10. Recommendation 10

"Update Alberta Regulations regarding municipal borrowing"

Critical Issues:

- a. With costs on the rise for municipal infrastructure and operations, municipal governments need flexibility in borrowing.
- b. The ten-year horizon of MSI funding does not match the 25 year horizon of most debenture debts.
- c. The permanent objective-based transfer envisioned in the partnership Agreement removes this disconnect and will support wise long-term borrowing for high priority infrastructure needs.
- d. The permanent objective-based transfer will be built into fiscal plans, long-term priority plans and can be accounted for in the debt limit of a municipality.
- e. The MGA and its Regulations may require amendments to address this approach.
- f. Both Parties will benefit with sound fiscal planning, controlled but more flexible borrowing capabilities, improved municipal credit ratings and the best possible interest rates.

11. Recommendation 11

"Develop a comprehensive communications strategy"

Critical Issues:

- a. A communication strategy should be based on these goals:
 - i. To effectively communicate the new partnership Agreement and the permanent objective-based transfer to municipalities and provincial government departments;
 - ii. To raise the value of municipal governments and the functions of municipal governments amongst society in general;
 - iii. To promote good understanding of the nature of long-term borrowing and debenture debt;
 - iv. To raise the level of understanding of municipal finance (including reserves) amongst MLAs; and
 - v. To raise public awareness of the effectiveness of all financial transfers.
- b. A communication strategy should highlight that municipalities will be stronger partners in working with the Provincial Government of Alberta to meet its goals with regard to enhancing the Province's competitive advantage and providing an enhanced quality of life for Albertans, as well as fulfilling environmental and social priorities such as combating crime and climate change.

- c. All municipalities must clearly understand and commit to the new reality, including the heightened responsibilities and accountabilities.
- d. All provincial government departments must clearly understand how roles will change to support the new partnership Agreement, and how they will work together with municipalities to achieve mutual goals.
- e. Communication must address the benefits to the Province and to the citizens that the new partnership Agreement will bring.
- f. AUMA's Ahead.Together campaign is a good start for municipalities and the AUMA, but it must expand/evolve to include both Parties communicating together.
- g. Communication strategies must also include support to help municipalities report to their citizens.

APPENDIX 2

Recommendations that would be resolved through an agreement

- a. Recommendation 4 regarding the freeze on education property tax can be removed.
 - i. Removal would be contingent on both Parties agreeing to their respective accountability for reporting on the transfers they each receive.
- b. Recommendation 3 regarding road usage factors can be removed if Recommendations 1 and 2 are successfully included in the Agreement.