



Alberta Urban Municipalities Association

Submission to the Government of Alberta for the 2011 Provincial Budget

September 2010



AUMA 2011 PROVINCIAL BUDGET SUBMISSION

Introduction

Alberta is still facing an economic recovery, and some sources show good news about the economy, other indicators show that the recovery from the decline of 2008/2009 is slower than we thought it would be a year ago. This uncertainty is evident in the Government of Alberta's 2010-11 First Quarter Fiscal Update (August 25, 2010), which shows that the deficit has increased by \$7 Million from what was forecast in the 2010 Provincial Budget, and is now at \$4.76 Billion. On the other hand, Alberta is still well-placed to recover more quickly from the recession than are other Canadian provinces and territories. Alberta Finance's "The Alberta Economy at a Glance" (August 10, 2010) shows that while the province is not growing as quickly as it did in the past, it is still growing more quickly than the national average. Additionally, inflation rates have not increased as much as they have in other Canadian jurisdictions. AUMA and municipal governments are well-aware of the uncertain economic reality, and wish to continue to work with the Government of Alberta, using coordinated efforts to boost Alberta's economy, and enhance the quality of life of Albertans.

As we submitted last year, AUMA wishes to help achieve the Alberta Government's four point plan for economic recovery: 1) keeping an eye on spending, 2) using savings to protect programs and services for Albertans while keeping taxes low, 3) continuing to invest in infrastructure, and 4) promoting the province on the world stage. AUMA's core recommendations for the 2011 Provincial Budget focus on how the Government of Alberta can support municipal governments in continuing to work toward our collective goal of economic recovery. Also included in this Submission are several supplementary recommendations for Budget 2011. We appreciate the Government of Alberta's attention to these important recommendations.

Core Recommendations

Municipal Sustainability Initiative

In order to effectively invest in infrastructure, the Government of Alberta must return to its commitment to the Municipal Sustainability Initiative (MSI) that was announced in 2007. Tables 1 and 2 show the shortfall that municipalities have faced with regard to the MSI, compared to what was announced in 2007.

Table 1: MSI announced and actual

2009 MSI announced	2009 MSI actual	2010 MSI announced	2010 MSI actual
\$600,000,000	\$400,000,000	\$1,400,000,000	\$876,000,000

Table 2: MSI Shortfalls – 2009 and 2010

2009	\$200,000,000
2010	\$524,000,000
TOTAL shortfall	\$724,000,000

Municipal governments count on MSI funding to be stable, and will be forced to delay or cancel essential municipal infrastructure projects if the funding is insufficient to Albertans' needs. As of the 2010 Provincial Budget, municipal governments were missing out on \$724,000,000 that was promised in 2007 as part of the MSI program. In 2011, AUMA submits that the Government of Alberta return to its 2007 MSI commitment of \$1,400,000,000 annually.

Further to the total amount of funding promised under the MSI, compared to what has been allocated in the 2009 and 2010 Budgets, AUMA remains concerned about the MSI formula, and its bias towards rural municipalities. Table 3 shows the shift in total amounts of funding as the Alberta Municipal Infrastructure Program (AMIP) was transitioned to the MSI.

Table 3: AMIP-MSI shift

Municipality	total 2009 AMIP	2009 MSI Total	2009 AMIP + MSI	Total 2010 MSI Funding	2010 funding -2009 funding
Total	\$600,008,042	\$ 400,000,000.00	\$ 1,000,008,042	876,000,000	-124,008,042
SPECIALIZED MUNICIPALITIES	\$37,923,194	19,914,635	\$ 57,837,829	44,201,818	-13,636,011
CITIES	398,360,647	232,566,619	630,927,266	516,879,979	-114,047,287
TOWNS	77,716,479	49,388,970	127,105,449	103,433,842	-23,671,607
VILLAGES	10,670,164	9,142,815	19,712,979	21,264,489	1,551,510
SUMMER VILLAGES	2,070,231	1,752,276	3,822,507	5,334,190	1,511,683
MDs AND COUNTIES	71,032,894	83,516,567	154,549,461	175,927,878	21,378,417
IDs	1,073,666	3,127,215	4,200,881	6,754,585	2,553,704
METIS SETTLEMENTS	1,160,913	590,903	1,751,816	1,853,088	101,272
					-124,258,319
<p>**NOTE: a small discrepancy between the total allocated by the GOA and the total of the final amounts used by the municipalities can be attributed to municipalities that have dissolved in the past 2 years.</p>					

A quick comparison between the combined funding allocated under AMIP and MSI in 2009 and funding under MSI alone in 2010 reveals reductions of more than:

- \$114 million reduction to Cities
- \$23 million reduction to Towns
- \$13 million dollar funding reduction to Specialized Municipalities

At the same time, Summer Villages, Villages, Improvement Districts, Métis Settlements and Municipal Districts and Counties will all see increases to their level of funding ranging from \$100,000 for Métis Settlements to over \$21M for Municipal Districts and Counties.

The combined effect of these formula changes and the increasing needs



experienced by community groups creates funding winners and losers.

It is recommended that the Government of Alberta:

1. Allocate the MSI amounts that were announced in 2007, at the start of the MSI program; and
2. Use the formula used in AMIP (base + per capita) for MSI allocations in 2011 and all future years.

Provincial-Municipal Agreement - moving towards a Provincial/Municipal Revenue Transfer system

Currently, municipal governments receive non-permanent and often ad hoc grants from the Government of Alberta. This system can impede long-term planning in municipalities. AUMA submits that a new system of transfers to municipal governments will benefit all Albertans. A transfer system that allows for Planning, Permanence and Predictability is essential in supporting Alberta municipalities as they contribute to Alberta's economic recovery. For more information, see AUMA's proposal for a new Provincial/Municipal Revenue Transfer System, at: http://www.auma.ca/live/digitalAssets/21/21892_Provincial_Municipal_Sustainability_Partnership_1015.pdf.

It is recommended that the Government of Alberta:

3. Begin a transition from the current municipal grant system, towards a permanent system of annual transfers with outcomes-based reporting on provincial, local and joint priorities.

Education Property Tax

While municipalities appreciate that the Provincial government has either frozen or reduced the mill rate for 16 consecutive years, the bottom line is that the actual educational property tax amount is determined by a combination of the mill rate and the assessed value of property so the requisition continues to climb.

Despite a 2001 commitment from the Province to cap property education taxes at \$1.2 billion, 2009-10 saw the revenue requirement for education property taxes rise to \$1.7 billion, an increase of \$85 million, or approximately five per cent in one year. The education portion of property tax rose by 39 per cent between 2002 and 2009.

The property tax is not an appropriate mechanism to fund all of Alberta's municipal infrastructure and its education costs. The property tax does not grow proportionate to the economy and, even with unprecedented tax increases, cannot sustain the financial pressures of municipalities. Municipal governments face tough choices every day. Without a new financial relationship with the Province of Alberta, municipal services will be cut, taxes will be raised to unprecedented levels, and/or Albertans will have to accept slower growth and a likely reduction in community and individual prosperity.

It is recommended that the Government of Alberta

4. Reduce its take on the property tax, by reducing the amount of money it uses to fund education in the province of Alberta.

Property Assessment System

AUMA submits that the time is right for a comprehensive review and restructuring of the property assessment system in Alberta. The assessment of property has only one purpose; to fairly and equitably distribute the property tax burden, whether it is between properties in a municipality, as in the municipal tax levy, or between municipalities and their taxpayers, as in the provincial education property tax requisition. AUMA established a Task Force on Assessment in 2010. The Task Force has prepared a number of recommendations, and urges the Government of Alberta to place a high priority on resolving the issues and restructuring the property assessment system. The Task Force Report is available at: http://www.auma.ca/live/digitalAssets/40/40244_Final_Assessment_Task_Force_report.pdf.

It is recommended that the Government of Alberta:

5. Set aside funds to restructure the current property assessment system in Alberta.

Municipal Legislation

Alberta's *Municipal Government Act* has served municipal governments well over the past number of years, however, it is becoming increasingly clear that the sophistication of municipalities is now outpacing their ability to act in the best interest of their citizens. AUMA submits that the *MGA* is popping up more and more often as a barrier to enhanced local governance and quality of life, and recommends that the Government of Alberta set aside funds that allow for a full *MGA* review and restructuring that results in principle-based municipal legislation for Alberta municipal governments.

6. It is recommended that funds are set aside to bring forward a principled based municipal legislation.

Supplementary Recommendations

AUMA appreciates the Government of Alberta funding provided to the Association to assist municipalities with various capacity-building programs. The Municipal Climate Change Action Centre (MCCAC), the Municipal Sustainability Planning (MSP) initiative, the Welcoming and Inclusive Communities (WIC) initiative, the Business Vitality Initiative (BVI) are all excellent examples of the strong partnership AUMA has with the Government of Alberta. AUMA looks forward to future opportunities to work together to the betterment of Alberta communities and citizens.



AUMA's recommendations for the 2011 Provincial Budget in this section are supplementary in nature. They are areas that urban municipalities have asked AUMA to discuss, request and come up with solutions in partnership with the Government of Alberta.

Policing

The Municipal Policing Assistance Grant (MPAG) does not reflect policing service costs. The effect of the grant declines from about \$48/capita at 5000 population to about \$16/capita for larger cities. Policing costs at all levels are increasing at a faster pace than population inflation while MPAG has only increased to match population growth.

It is recommended that the Government of Alberta

7. Reviews with AUMA the following three options for police funding with a view to finding a new equitable formula:
 - a. The province should fund policing costs equivalent to the costs of the first 5000 population, plus \$50/capita beyond.
 - b. The province should fund policing at a rate of \$50/capita to all municipalities responsible for their own policing. This option addresses the issue of declining assistance to larger municipalities under the current Municipal Policing Assistance Grant (MPAG) and gives every municipality approximately the same effect per capita as the current MPAG funding to municipalities at the 5000 population level. The Province would provide additional top-up funding to any community which might otherwise receive reduced funding under this new funding model.
 - c. The province should fund policing at a rate of \$50/capita, as under (b) above, plus an additional \$20/capita for urban populations above 50,000. This option recognizes the higher policing costs in larger centres associated with the greater range and complexity of local crime and the need for more specialized services.

All options would provide significant added financial support to the municipal sector, ranging from roughly \$114 million per year more under Option 1 to \$122 million under Option 3.

Under any new program support, it is recommended that regular adjustment provisions be incorporated to address the ongoing escalation in policing costs.

There has been recent effort on the part of the Alberta Solicitor General to identify a Law Enforcement Framework Funding Model that results in all Alberta municipal governments paying for policing. AUMA would consider supporting a model that addresses how the new surplus funds will be used; includes a formula with factors that impact the sharing of police costs (e.g.: population, infrastructure, ability to pay), and the shortage of transfers to those municipalities currently paying for police services.

8. It is recommended that the Government of Alberta develop a Law Enforcement Framework Funding Model in which all municipal governments pay for policing, and that it include the following:
 - a. A description of how the new surplus funds will be used;
 - b. A formula that includes the impacts of sharing police costs; and
 - c. A formula that addresses the shortage of transfers to those municipalities currently paying for police services.

Transportation

AUMA is encouraged by the news that the Government of Alberta is developing a process to develop a 40 year transportation plan¹. AUMA believes that the provincial transportation plan will ensure that transportation programs, including GreenTRIP will result in long-lasting outcomes.

The current programs administered by Alberta Transportation have not changed since 2000, and AUMA submits that transportation grants be updated. Transportation infrastructure is critical to the competitiveness of the entire province and to communities throughout Alberta. AUMA asks, therefore that a review be completed of transportation programs, and that funds allocated to various programs be updated.

Another transportation area where AUMA sees potential for positive change is with active transportation. Municipalities have a key role in promoting and creating an environment supportive of active transportation. "Active transportation" is human powered travel. It refers primarily to walking and cycling, but also to in-line skating, skateboarding, wheel-chairing, cross-country skiing and snowshoeing. Active transportation improves public health and reduces healthcare costs by fighting obesity and chronic illnesses like heart disease and Type 2 diabetes. It is emissions-free, making it a powerful tool in the fight against climate change and air pollution. It is accessible to children, youth, seniors, low income families and persons with disabilities who can be left out when transportation systems depend on cars.

It is recommended that the Government of Alberta:

9. Initiate a comprehensive review of transportation programs, to be conducted in partnership with AUMA, and that recommended changes be implemented for the 2012 Provincial Budget.
10. Adopt as part of its programs, design standards and policies, facilitation of and provision for alternative modes of transportation such as cycling, running and walking and to consider the construction of trail systems as part of the building or rebuilding of roads and highways.

¹ July 5, 2010, *Edmonton Journal* "40-year transport plan paves way into future".



Infrastructure

In addition to the core recommendations that speak to the MSI and other funds available for municipal infrastructure, there are several other programs that AUMA encourages the Government of Alberta to support.

Municipal governments in Alberta – and particularly urban municipal governments – are responsible for recreation and parks that are enjoyed by community members. Recreation and Parks facilities have large capital costs, and contribute greatly to the community's health. Recreation programs are offered for all community members, and range from sports programs to nature-related educational programs. Such local infrastructure and programs are designed with community needs in mind, and can go far in enhancing the health of the population, leading to a healthier and more vibrant community.

It is recommended that the Government of Alberta:

11. Continue to fund the Major Community Facilities Program on an ongoing basis to allow for the proper planning to occur to see these projects completed for the benefit of Albertans.
12. Commit to establishing a new Urban and Countryside Parks Program that would support municipalities in parks planning, parkland acquisition, park development, conservation, operations and promotions.

Housing

Affordable housing is the responsibility of provincial and federal governments, with municipal governments playing a role in facilitating affordable housing, thereby contributing to quality of life in Alberta communities. Municipal services and infrastructure (provided by municipal governments or in partnership with the Government of Alberta) are essential to **building strong communities**, and to fulfilling the municipal government's purpose of developing and maintaining **safe and viable communities**.

It is recommended that the Government of Alberta:

13. Renew its commitment to provide Block Funding for Housing to jurisdictions under a multi-year plan.
14. Provide municipalities with grants-in-lieu-of-taxes to pay for the costs of municipal services to non-profit housing agencies that are not Management Bodies formed pursuant to the *Alberta Housing Act*, where those agencies are exempt from the payment of municipal and education property taxes.

Homelessness

AUMA also urges continued action on homelessness as per the Government of Alberta's Plan to End Homelessness. Citizens without homes are still citizens of municipalities, and Alberta's urban municipal governments are involved in many efforts to assist individuals and families without homes.



It is recommended that the Government of Alberta:

15. Provide significant and adequate funding such that Alberta municipal governments can assist the Government of Alberta in achieving the goals of the Provincial Plan for Homelessness, and in recognition that the challenge of housing the homeless is a provincial responsibility.

Seniors

Demographics are such that more and more of Alberta's population is aging, or moving into the elderly portion of their lives. In providing safe communities, and municipal services, Alberta municipal governments wish to partner with the Government of Alberta to ensure a high quality of life for Alberta's senior citizens.

It is recommended that the Government of Alberta:

16. Facilitate the development of more Designated Assisted Living Care accommodations in Alberta communities, reducing the demand for long term beds and providing the right level of care in the right place for many people.
17. Establish a specific ongoing fund for provincial "age friendly" pilot sites and initiatives throughout Alberta.

Nonprofit/voluntary sector

Municipal governments are being encouraged to provide funds to local voluntary and non-profit groups using monies drawn from the Municipal Sustainability Initiative (MSI). AUMA would like to ensure that the primary intent of the MSI is to address municipal needs and requirements, and that it does not replace the responsibility the Province has for funding non-profit and voluntary organizations in Alberta.

An infrastructure deficit exists in Alberta municipalities, and AUMA believes that the infrastructure deficit should be addressed through the use of MSI funds. Alberta municipalities have seen intense growth pressures in the past 5 years and MSI funds can be used to address those pressures. Local decision-making on uses of MSI and other provincial funding is paramount, and while it may be a local priority for a municipal government to fund voluntary and non-profit groups, municipal governments must look first to providing core infrastructure and services.

AUMA submits that the Government of Alberta must continue its financial support of voluntary and non-profit groups.

It is recommended that the Government of Alberta:

18. Restore provincial funding to nonprofit/voluntary organizations, and acknowledge that municipal governments are not expected to make up for provincial funding cutbacks to the nonprofit/voluntary sector.

Water Conservation, Energy and Productivity

The provision of local water services is a defining feature of Alberta's municipal governments. Citizens expect to receive a secure supply of water to meet health, economic, recreational and aesthetic needs and wants. Yet water is a finite resource. Already, some Alberta municipalities, particularly in southern Alberta, are dealing with water shortages. Limitations on the supply of water can constrain population and economic growth unless conservation, efficiency and productivity efforts bring demand in line with supply. AUMA submits that water infrastructure grants be returned to the 2008 level until a full review of the water and wastewater infrastructure grant program has been conducted, and appropriate funding levels are determined that will ensure safe and efficient water systems over the long term.

It is recommended that the Government of Alberta:

19. Return water infrastructure grants to the 2008 level, and review the grant program to determine the funding levels that will ensure the safety and efficiency of municipal water systems over the long term.
20. Use provincial grants to incent Water Conservation, Energy and Productivity, as identified in the Alberta Water Council's Recommendations for Water Conservation, Efficiency and Productivity Sector Planning (moving towards full cost accounting, and grant support for good planning/actions).
21. Coordinate with AUMA and member municipalities to ensure that Water Use Reporting System (WURS) data is meaningful and accurately reflects municipal water usage.
22. Supply municipal water use reporting data to AUMA every year, commencing in April 2010.
23. Continue to support municipalities with drinking water operations by providing educational and technical resources, including full cost accounting workshops.

Concluding Words

AUMA appreciates all opportunities to collaborate with the Government of Alberta in working towards innovative, safe, healthy, environmentally sustainable and efficient province. Alberta's municipal elected officials enact change in their communities on a daily basis, and are strong and committed partners with the Government of Alberta and Alberta's Members of the Legislative Assembly.

