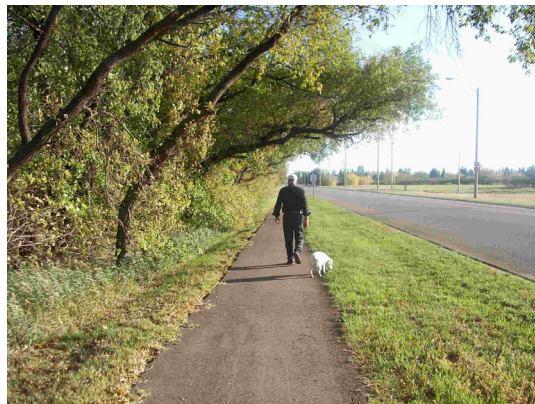




Connecting MLAs with the Issues of Interest to Alberta Municipalities

## Infrastructure: A Growing Concern

Infrastructure is at the heart of Alberta's economic growth. It ensures access to markets, the mobility of goods and services, the safety of our citizens, increases productivity, and ensures healthy vibrant communities. Municipalities are responsible for providing core critical infrastructure like sidewalks, roads, bridges, water systems, recreational centres, ambulances, fire and police halls, waste management facilities yet lack the fiscal capacity to meet the



growing needs. However, there are some ongoing issues that need to be addressed.

This edition of MLA Link provides background and an overview of infrastructure from a municipal perspective.



### AUMA takes part in Budget Day

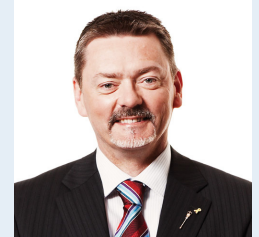
President Linda Sloan will attend the Budget speech February 9 on behalf of AUMA.

The Association will be available onsite in the Rotunda with President Sloan available for the media following the speech.

## Annual MLA breakfast

Set for Feb 16

Deputy Premier Doug Horner will provide a Budget Update to Alberta's Mayors and CAOs during AUMA's third Annual MLA Breakfast at the Matrix Hotel February 16. Minister Horner will also moderate a Q&A session with attending MLAs.



The Breakfast begins at 7:30 a.m. in the Quartz Ballroom and will be complete by 9:00 a.m.

The popular MLA Breakfast will be a highlight of AUMA's February Mayors' Caucuses – population-based meetings of AUMA members that take place over three days:

- Feb. 15 – Populations under 2,500
- Feb. 16 - Populations between 2,501 and 10,000
- Feb. 17 – Populations over 10,000

AUMA's biannual Mayors' Caucus meetings are an important opportunity for communication between the Association and its members. The next series will take place in Calgary in June.

*This newsletter is brought to you by the Alberta Urban Municipalities Association*

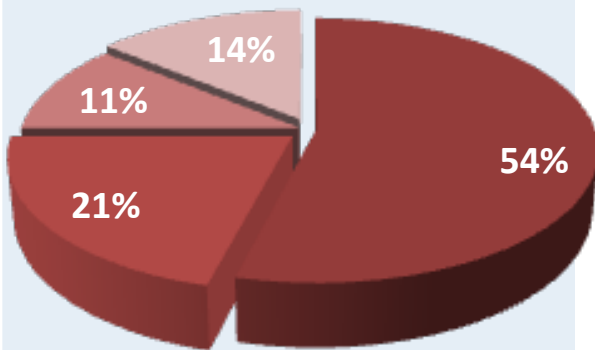


## What's wrong with this picture?

By 2006-07, Alberta municipalities share of infrastructure responsibilities had grown to 54%. Yet Municipalities only collect 8% of the tax dollars in Canada.

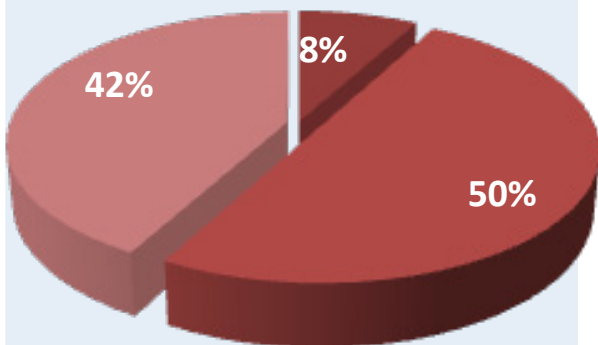
### Replacement Value of Infrastructure Assets 2006-07

■ Municipal
 ■ Provincial Highway  
■ Educational Facilities
 ■ Other



### Taxes in Canada

■ Municipal
 ■ Federal
 ■ Provincial



# MSI is not the solution!

Local municipalities matter. They deliver the essential services to the citizens of their communities every day such as sidewalks, roads, bridges, water systems, libraries, recreational centres, emergency and protective services. Yet the province ties the municipalities' hands as they try to deliver these services.

The province restricts municipal debt limits, the ability to generate revenue and invades the only significant tax base municipalities have – property taxes. Not all the money raised by local government in a community are invested in that community.

Wouldn't it be better if local dollars were used for local decision making and priorities?

The provincial government's response to this request currently appears to be centered around band aid adjustments to the Municipal Sustainability Initiative (MSI) including, putting MSI on a 3-year planning cycle and removing some of the conditions attached to the grant funding. While recognizing that there will always be a need for some grants, they are not the appropriate funding tool for meeting a municipalities core services.

Municipalities need a new relationship with enabling authorities to meet core service responsibilities through stable long term funding sources.

**Insufficient Long Term Planning:** The government's discussion of 3-year funding cycles for the MSI is not sufficient for long term

planning, particularly in the area of infrastructure where assets can have lives of 100's of years.

Municipalities have a greater share of capital assets and need the same kind of long term planning horizon (20 years) that the Province follows, given the complexities of land use planning and the need to ensure a balanced approach that considers economic, social, and environmental outcomes.

#### Lack of Predictable Funding:

The Municipal Sustainability Initiative (MSI) was initially designed by the Province to be a 10-year funding program designed to assist municipalities in meeting growth-related challenges and enhancing their long-term sustainability.

Announced in 2007, MSI originally had an allocation of \$600 million in 2009 and was set to ramp up to \$1.4 billion thereafter. However, in Budget 2009, 2010, and 2011, the province cut its MSI transfer to municipalities by some \$200 to \$500 million each year and there would be nothing to prevent this from happening again in the proposed 3-year planning cycle.

Conditional grants have a long history of being less than what they were promised to be, given they are extremely vulnerable to changes in the Province's fiscal policy, leadership changes, etc. But the lack of predictable funding is a symptom of the real problem: municipalities should not be asked to rely on grants to fund core services.

## MSI is not the solution *continued*

**Lack of Transparency:** The existing system is a shell game where revenue is collected by a municipality, then sent to the province via the education property tax requisition, then sent back to municipalities via a complex grant system.

Citizens believe that the dollars they pay for property taxes remain in their communities and are used for local services and are surprised to hear that this is not the case.

**Priorities Versus Grant Writing Capacity:** There is no guarantee that a grant will go to the highest critical projects since the grant process pits municipalities against each other and often depends on the quality of the application, rather than the substance of the need.

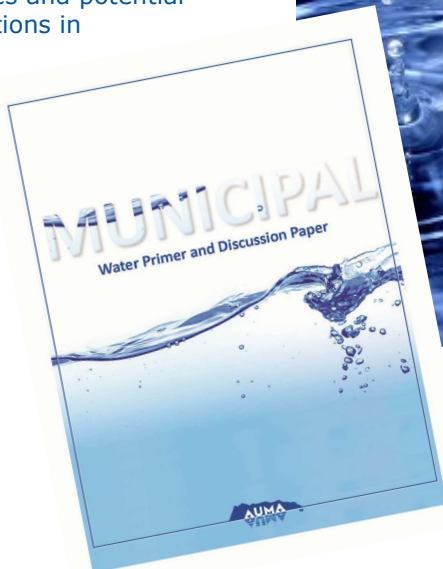
This means smaller municipalities may be disadvantaged by a lack of grant writing expertise.

## A Critical Need For Investment in Water Infrastructure

Ninety per cent of Albertans rely on municipal systems for their water supplies. The cost of providing water services is rising as the rigour of standards and regulations increase and labour shortages forces municipalities to compete for qualified water operators. At the same time aging distribution systems are leaking water and creating contamination concerns.

A number of solutions are proposed to improve the ability of municipalities to provide safe drinking water including the development of drinking water safety plans, regionalization of water services, operator attraction and retention programs and implementation of full cost accounting and recovery. AUMA has outlined these issues and potential solutions in

its [Water Primer and Discussion Paper](#) which was released in September to serve as catalyst for dialogue between AUMA members and partner organizations. Administration from AUMA and Alberta Environment and Water, Transportation and Municipal Affairs have already had discussions on how we can collaboratively work to build the capacity of municipalities to implement solutions. Intergovernmental collaboration and funding will be the key to success. Both the province and municipalities have a responsibility to ensure that Albertans have a safe, secure supply of drinking water for life.



## Infrastructure At Issue

### High Speed Rail

In 2011, AUMA members passed a resolution urging the Provincial Government to take the lead in developing integrated strategies, policies and funding frameworks to support the development of a high-speed rail link. Now is the time to take action on this matter.

### 40 Year Transportation Plan and Multi-Modal Transportation Strategy

While AUMA is happy to hear the province is developing these plans, precious little has been communicated to municipalities about the process for consultations around the plan and strategy. The lack of knowledge about the province's intent in these areas makes planning municipal transportation difficult.

### National Transit Strategy

AUMA sent letters supporting Bill C-305 requesting the development of a National Transit Strategy, as transportation is vital to the continued economic success of our nation. We strongly urge the Province to put as much importance on this strategy as they did on the need for a National Energy Strategy.

### GreenTRIP

GreenTRIP has been a vital part of increasing environmentally friendly transportation options in municipalities. As this grant currently has a limited time span it is imperative to start thinking now about how this infrastructure can be maintained in the future.

## Offsite Levies Need Changes to Address Infrastructure Pressures

Municipalities use offsite levies to build needed infrastructure,



such as roads, sewers, and water in new development areas. These levies are critical for ensuring municipalities have the capacity to provide adequate fire rescue service, emergency medical service, police service, transit services, recreation and library services.

AUMA has been advocating for several years to expand the scope of off-site levies through changes to the Municipal Government Act (MGA). Despite the fact that these services

are undeniably essential to the health, safety, and wellbeing of our citizens, it appears that the Government of Alberta is unwilling to take action to resolve this critical matter. Our members are disappointed and deeply concerned that, to date, responses from government have not provided any commitment to advance these changes.

A recent decision by the Alberta Court of Appeal makes it clear that the judicial system is calling on the Government of Alberta to take responsibility for the necessary legislative changes to appropriately address this problem.

## The Impact of Not Investing

Investments in bridges have been under the level required to hold their age constant. The average age of this asset rose by 3.2 years from 21.3 in 1985 to 24.5 in 2007.

If the current level of infrastructure under-investment is allowed to continue in Canada, the deficit could balloon to \$1 trillion in 60 years

Deferring maintenance (or not performing repairs at all) leads to much higher rates of deterioration and repair bills that can equal the cost of the original asset.

The municipal infrastructure gap is growing by \$2 billion per year and the federal gas



tax (when fully mature) will provide \$2 billion per year. This only stabilizes the gap at roughly \$60 billion

Canada's infrastructure gap is estimated to be between \$50 billion and \$125 billion, which is 6-10 times the level of all current annual government

infrastructure budgets combined

We have already used 79% of our infrastructure's life expectancy

*Source: The Canadian Council for Public Private Partnerships Web site.*