



November 24, 2020

Honourable Travis Toews
President of Treasury Board and Minister of Finance
208 Legislature Building
Edmonton, AB T5K 2B6

Dear Minister Toews:

As you prepare the 2021 provincial budget, AUMA would like to take the opportunity to provide the perspective of our member municipalities. We acknowledge Alberta's government is facing difficult choices while you work through significant unknown elements related to the COVID-19 pandemic, oil price shock and the global economic recession. While you take measures to re-establish a sustainable fiscal trajectory for the province, we ask that you consider these principles in your decision-making process. The choices you make in Budget 2021 and the corresponding three-year fiscal plan will have a long-term impact on Albertans, who live and work in our communities. Below are three AUMA principle-based requests for your consideration.

1. **Stable and predictable long-term funding**

COVID-19 is putting extra pressure on existing weaknesses in the municipal financial model. In the short term, we have sought immediate, coordinated support from provincial and federal governments, in the form of capital stimulus and emergency operational funding. We are thankful Alberta's government responded to these needs. The support provided in Alberta's Economic Recovery plan, including operational funding support provided through the Municipal Operating Support Transfer and the additional capital funding through the Municipal Stimulus Program, were a lifeline for municipalities and important to their stability during the pandemic. Overall, the province has stepped up to support municipalities during this pandemic and we express our appreciation to the province for recognizing the value of investing in communities to help maintain service delivery, create jobs and stimulate economic growth.

Over the long term, municipalities seek stable and predictable funding. The *Local Government Fiscal Framework Act* (LGFF), while not perfect, promises the type of funding that AUMA has, for the last 15 to 20 years, been advocating for - that is funding that is adequate, predictable, responsive, and legislated. Alberta is now one of three provinces with a funding model that is directly linked to provincial revenues.

There is significant concern however that in light of the large provincial deficit and the corresponding fiscal pressures Alberta's government faces, there will be temptation for the province to alter the legislation and reduce funding to municipalities. After finally achieving a sustainable, predictable, and legislated funding regime, we ask that Alberta's government maintain its commitment to these principles and acknowledge the essential role this funding will play in maintaining public infrastructure and creating jobs across the entire province. AUMA understands the magnitude of the fiscal challenges the province faces but reducing this investment and eliminating stability and predictability for municipal finances will not help put the province on the path to recovery.

Additionally, while we are overall supportive of the LGFF, we see areas where the program could be improved. This includes removing or reducing the 50% growth restriction to ensure that over time the funding keeps pace with local needs and increasing the \$100 million exemption limit to a higher threshold.

2. Partners in economic growth and recovery

AUMA and our members are focused on economic development, diversification and growth and are taking steps to remove unnecessary impediments to economic recovery. We have been engaging with Alberta's government and the private sector on several red tape reduction reviews and initiatives, including the ongoing review of the *Municipal Government Act*. Municipalities are also focused on the more efficient delivery of services to ensure value for tax dollars and funding for priority programs and projects.

AUMA is aware of the need to prioritize spending, keep tax rates competitive and eliminate unnecessary or outdated rules and regulations. Municipalities are working every day – in partnership with Alberta's government and the local businesses – to entice investment and create economic opportunity. Additionally, this summer we struck an Economic Resiliency and Recovery Task Force which has engaged economic development agencies and other levels of government to explore actions and policies to encourage growth.

AUMA and Alberta municipalities were very encouraged by the letter and messaging from the Minister of Jobs, Economy and Innovation, regarding the importance of the Regional Economic Development Alliances (REDAs) to the economic success throughout the regions of Alberta. Based on this acknowledge and agreed importance, the 9 provincial REDAs must continue to have provincial funding at current levels.

We applaud the provincial government's commitment to diversify Alberta's natural gas industry. Identified as one of the Key Growth Areas in Alberta's Natural Gas Vision and Strategy, enhancing plastics recycling can generate a total of 7,500 jobs in Alberta. Aligned to this vision is AUMA's proposal to establish and develop an Extended Producer Responsibility (EPR) program for plastics and packaging. It is estimated that a 'made-in Alberta' EPR program will reduce the recycling collection services costs that municipalities charge their residents each year by up to \$105 million. It will also create over 200 jobs province wide. Enacting an EPR framework does not require the provincial government to increase spending and the sooner the EPR regulations are in place, the quicker municipalities can share the savings with Albertans.

There can be no economic recovery in Alberta without strong, resilient communities and we implore you to be mindful of the financial health of municipalities as you chart a course for economic recovery and return the provincial budget to a sustainable trajectory.

3. Avoid transferring costs and responsibilities to municipalities

When faced with fiscal pressures, governments across Canada have a history of transferring or downloading their costs and responsibilities onto lower levels of government. In recent years, this involves funding and responsibility for several areas, including:

Policing: The police costing model implemented in 2020 requires municipalities with populations under 5,000 and municipal districts and counties to begin paying directly for a portion of the police costs. This new costing model will provide the province with \$286 million over five years, and communities need to see resources on the ground in return for their taxpayer investment. In light of

the Justice and Solicitor General Minister's clear messaging that any 'Defunding of Police' is a grave mistake, it is imperative that policing grants (MPAG) remain whole. This also true for the distribution of fine fees that are collected by the province.

Affordable Housing: The province is decreasing funding for rental assistance by 16 percent in 2020-21 and the 2020-23 capital plan shows a 63.9 percent reduction to provincial investment in affordable housing over next three years. The decreased provincial investment in affordable housing means that municipalities must either step in to provide housing assistance, or deal with increased rates of homelessness. Increasing homeless populations puts a strain on emergency and health services, as well as negatively impacting local business and economic activity. According to your department's Economic Multiplier Analysis, every \$1 invested in building affordable housing creates \$1.74 in total economic output. Further reductions on top of those already contained in the capital plan will have a negative impact not only on municipal finances but on economic growth and recovery as well.

Family and Community Support Services (FCSS): FCSS programs support the delivery of community-based preventive social programs. These programs are meant to be cost-shared between the province and municipal governments, with the province contributing 80% and the municipality contributing 20%. The vast majority of Albertans reside in a community that offers a FCSS program and 63% of the time the municipality delivering the FCSS services contributes more than the agreed 20% of the FCSS funding due to the province failing to increase funding levels over the last several years. Municipalities cannot afford any further downloading of this provincial government responsibility.

Medical First Response Program: While the province is responsible for providing ambulance services, fire services remain a municipal responsibility. This separation between emergency services can pose a challenge to communities wanting to provide an integrated service in the times of greatest need. The Medical First Response Program is a voluntary program which works towards closing this separation. Under this program, municipalities may voluntarily commit to providing emergency medical first response. Municipalities that participate in this program receive access to equipment and training but are not compensated by the province for the calls they attend. Many municipalities participate in the program in order to save lives and provide for a better level of care to patients than ambulance service alone (which can, at times, be delayed due to call load or other reasons). However, providing this service places a burden on municipal resources both through responding to medical emergency calls as well as for filing the requisite documentation.

Supervised Consumption Sites: Since 2016, Alberta has seen an overall decline in opioid-related deaths, overdoses in emergency rooms, and EMS responses attributable to harm reduction initiatives. The COVID-19 pandemic is correlated with an increase in opioid overdoses; however, amid this pandemic, the province has chosen to defund several harm reduction initiatives. Municipalities are therefore faced with either making up the funding to keep these services operational or dealing with the effects of opioid consumption outside of supervised sites.

Victim Services: Victim services units provide support programs for individuals who have suffered as a result of violent crimes. Although the Auditor General identified a growing surplus in the Victims of Crime Fund in 2016, victim services units continue to request annual funding from municipalities to subsidize the inadequate funding they have received from the province. Municipal funding is provided out of necessity to prevent these services from being lost.

In addition to transferring costs, the province has implemented changes that have or will have negative impacts on municipal revenue, including the tax-reduction initiatives resulting from the recent Assessment Model Review, reductions to the Grants in Place of Taxes (GIPOT) which compensates for municipal services to provincially-owned properties, an increased education property tax requisition and changes to fine revenue distribution for offences under the *Traffic Safety*

Act. There are also rumoured changes to agriculture society funding which would place further strain on municipal budgets in order to maintain important community infrastructure.

We ask you to please remember that the impacts of funding cuts at the provincial level are seen and felt by Albertans at the municipal level (i.e. Agriculture Society grants). Alberta's municipalities don't have financial wiggle room: they're not allowed to run operational deficits and are restricted by debt and debt-servicing limits. Unlike in many comparable North American jurisdictions, Alberta municipalities must rely heavily on regressive property taxes, which account for almost half of their total revenues. Accordingly, when costs and responsibilities are transferred or municipal revenues are constrained, municipalities face the choice of cutting services or increasing property taxes. Municipal services support job creation, economic development, and future cost avoidance. Cutting these services would be detrimental to the province's overall economic activity especially in times of fiscal restraint. Raising regressive property taxes would be counterproductive given current economic conditions and the continuing impact of COVID-19 on businesses and employment.

AUMA appreciates the opportunity to share our views and would welcome the opportunity to meet with you in person to further discuss our priorities for Budget 2021. Our staff will reach out to your office to try and make the necessary arrangements. Please also feel free to reach out to me anytime by email at president@auma.ca or on my cell phone at (403) 363-9224.

Sincerely,



Barry Morishita
AUMA President

CC:

Hon Jason Kenney, Premier
Hon Ric Mclver, Minister of Transportation
Hon Grant Hunter, Associate Minister of Red Tape Reduction
Hon Dale Nally, Associate Minister of Natural Gas and Electricity
Hon Doug Schweitzer, Minister of Jobs, Economy and Innovation
Hon Tracy Allard, Minister of Municipal Affairs
Jason Stephan, MLA Red Deer-South
Matt Jones, MLA Calgary-South East