



February 5, 2020

Honourable Jason Kenney
Premier, President of Executive Council
Office of the Premier
307 Legislature Building
10800 97 Avenue
Edmonton, AB T5K 2B6

Dear Premier Kenney:

In recognition of the fiscal challenges Alberta and its communities are facing, last month AUMA hosted a *President's Summit on Municipal Finances: Effective & Transparent*. We appreciated the participation of many of your colleagues, which provided them the opportunity to engage with over 175 municipal leaders in dialogue focused on solutions.

The primary conclusion of the summit was that building a stronger provincial-municipal partnership is key to restoring the Alberta advantage. We all govern the same people who elected your provincial government, and we must collaborate to best use our finite tax dollars. Our members have expressed frustration at the lack of meaningful engagement on provincial decisions that impact our communities. Municipalities were taken aback by the cumulative impacts of a wide array of cuts and changes to programs introduced in the fall budget, from backtracking on city charters to funding changes to parent link.

As Minister Madu stated, "Only when we are working together can we ensure we are moving in the right direction". We concur that there has never been a greater need for the province and municipalities to work together to "fight out our way out of the economic downturn".

As we look towards a new decade, municipalities and the province have an opportunity to forge a more productive partnership based on key elements:

- A common goal: Economic development is the top priority for municipalities, who all share your government's objective to get Alberta back to work.
- Strategic coordinated investment: Municipalities understand the need to balance the province's books. At the same time, together we must leverage our scarce resources to maintain infrastructure and preventative social services. Without thoughtful investments, our communities will not be able to attract and retain businesses and talent. Experience shows that deferred investment results in increased costs down the road for future generations.
- Mutual Respect: Albertans elect provincial and municipal governments to provide good governance. Like the provincial government, municipalities are ultimately accountable to voters. Being the level of government closest to the people enables us to provide greater transparency and more effectively engage citizens and businesses when determining investment needs and opportunities for efficiency at the local level.

Albertans cannot afford for their provincial and municipal leaders to be uncoordinated and adversarial. The solutions are in front of us if we pull together.

I have enclosed further background that demonstrates why a renewed partnership between the province and municipalities is essential to Alberta's future.

As you prepare for the upcoming budget and legislative session, AUMA requests a meeting so that we can discuss the following:

- Municipal governments have engaged their businesses, citizens and staff to find efficiencies and alternative revenue sources to adjust to funding cutbacks and programs changes introduced in the provincial budget last fall. They cannot absorb any further cutbacks or additional costs without significantly increasing taxes or cutting back essential services.
- Now is the time to invest in maintaining Alberta's infrastructure. Prices are relatively low and Alberta's private construction firms are struggling to hang on through this extended downturn. Planned reductions to the Municipal Sustainability Initiative (MSI) must be revisited and a strategy developed to ensure that stranded federal infrastructure funding starts flowing back to Alberta communities. Reducing government investment in infrastructure at this time is crippling our construction industries, its workers and apprenticeship programs.
- The 2019-20 Fiscal Plan identified that the education tax requisition will be increasing by approximately four percent starting in 2020-21. This imposition to property tax ratepayers is planned at the same time as provincial education spending is being frozen. This planned year over year increase is unacceptable to municipalities and ratepayers.

In addition to our meeting request, we look forward to continuing the dialogue on provincial-municipal partnership at our Municipal Leaders' Caucus in Edmonton on March 25 and 26, and at our annual Convention on September 23-25 in Calgary. Please feel free to contact me by email at president@auma.ca or my cell phone at (403) 363-9224 to discuss any of these matters at any time as well.

Sincerely,



Barry Morishita
AUMA President

Cc: The Honourable Kaycee Madu, Minister of Municipal Affairs

Cc: The Honourable Travis Toews, President of Treasury Board and Minister of Finance

Encl.

STRONG PARTNERSHIPS BUILD ALBERTA

Municipalities understand and share the priorities of the Government of Alberta and look forward to working as partners to achieve them based on mutual respect and co-operation.

“Municipalities need a positive partnership with the provincial government and long-range planning to meet their community priorities.”
(UCP Platform, page 77)

SHARED GOAL: Getting Alberta Back to Work

A 2019 study by the University of Calgary’s School of Public Policy found that the number one issue for municipalities is economic development.

Standing up for Alberta is an important part of ensuring our future prosperity. AUMA and our members have stood shoulder-to-shoulder with the province in our [Support Canadian Energy campaign](#) where we championed the need for market access for our energy industry in the media and with municipal colleagues across Canada.



This shows municipalities are ready to partner in achieving the province’s goals, but the lack of meaningful engagement in provincial decisions creates barriers to success.

Alberta’s municipalities are working hard to attract industry and encourage economic development. At our President’s Summit, AUMA members shared examples of how they are working with their neighboring municipalities and local businesses to reduce red tape, build infrastructure, and create the networks needed to attract and retain investment and talent.

For example, the Town of Vegreville partnered with its local chamber of commerce to set up a joint panel to mitigate the loss of over 230 jobs as a result of the federal government’s decision to close the immigration processing centre. Thanks to these collective efforts, not a single business has closed in town and the region is poised to become a hemp industry hub.

Moving forward, AUMA will continue to work with our members and organizations such as the Alberta Chambers of Commerce and BILD Alberta to share examples and lessons learned from municipal-private sector partnerships. There is an opportunity for the province, municipalities, and the private sector to unite in sharing the message that Alberta is open for business.

STRONG PARTNERSHIPS BUILD ALBERTA

Strategic Coordinated Investment

Municipalities recognize that competitive federal, provincial, and municipal tax regimes help attract investment. During the summit, our members shared examples of efficiencies they have found in order to keep property taxes increases to a minimum, despite revenue pressures.

At the same time, we also heard examples of deferred maintenance of road and water infrastructure as a result of reductions to the Municipal Sustainability Initiative funding and other funding reductions. This is especially concerning as we also heard from the Alberta Chambers of Commerce and BILD Alberta that quality transportation and water infrastructure is essential to attract investment and development.

We also learned from the construction, road builders, and aggregate associations how deferred maintenance results in increased costs down the road. For example, aggregate is a finite resource, whose costs rise as supply decreases. We know from experience that delaying investments in maintaining and repairing infrastructure now will only result in replacing it tomorrow.

“Alberta needs to plan and build infrastructure to meet the needs of our future population and grow the economy.”
(UCP Platform, page 29)

The time to invest is now. The slowdown in Alberta’s economy means that prices are reasonable, and crews are available. A continued reduction of investment in municipal and provincial

infrastructure increases the risk that Alberta companies, many of whom rely on public sector investment for 50 percent of their work, will go out of business. This means that equipment and skilled labour will be lost to other jurisdictions.

There is a positive multiplier effect of investments in infrastructure, providing jobs to Albertans and profits to Alberta companies, which in turn are invested in local businesses and revenue for all levels of government.

“\$1 Billion investment in infrastructure generates \$1.6 billion in economic growth.”
(From FCM Building Better lives together, November 2019)

Development of a new Local Government Fiscal Framework and of a 20-year capital plan creates a generational opportunity to coordinate strategic investments in infrastructure that will pay dividends to Albertans for years to come. We also have an opportunity to find innovative solutions to ensure that stranded federal infrastructure dollars start flowing back to the Alberta communities where they were generated.

But it’s not only about investing in hard infrastructure. We must also invest in our people. During economic hardship, people suffer and need the services and supports that keep families together, communities alive, and the Alberta spirit strong. A dollar spent on the critical preventative services provided by Family and Community Support Services (FCSS) can save up to \$12 in justice and other costs.

STRONG PARTNERSHIPS BUILD ALBERTA

Mutual Respect

Municipalities are efficient and effective financial stewards who transparently manage taxpayer dollars while providing essential services.

Municipalities are the only order of government that doesn't just adopt our budgets in public, we deliberate in public. We are also the only order of government that can't run operational deficits. In addition to this, municipal revenue options are limited by legislation. These constraints force us to be efficient, and they require us to engage our citizens in making tough decisions on how we will invest our limited resources. These constraints also place us in a unique position to understand the challenges the province faces in balancing Alberta's books.

Municipalities at our President's Summit provided myriad examples of how they are engaging citizens to find efficiencies. The following is just a small sample of the solutions municipalities are implementing:

- The summer villages around Sylvan Lake host annual meetings to report to citizens on municipal spending and outcomes over the past year and to seek input on future investments. Many municipalities are supplementing traditional engagement approaches with podcasts, Facebook Live, blogs, and other technologies to seek citizen input on local decisions.
- The City of Grande Prairie's adaptation of Toyota's LEAN management system to identify operational efficiencies is anticipated to result in savings of \$2.5 million and 35,000 hours of staff time over the next three years.
- The City of Medicine Hat is also implementing LEAN and engaging staff and citizens in its Financially Fit for the Future initiative to address a \$23 million annual operating budget shortfall due to a decrease of commodity-based revenue. The City is on track to achieve revenue replacement of \$16 million by the end of its 2019-2022 budget cycle and has set a course to full recovery through a 10-year plan.

Municipalities at the Summit were excited to share these long-term solutions. However, this sound

planning can be undermined by changes the province makes to programs without warning. For example, one Alberta town re-invests all its traffic fine revenue into capital projects that improve community safety. This funding is invested in valuable projects, such as park lighting upgrades, pedestrian crosswalk signals, and equipment for peace officers. The town reports that many of its plans for community safety upgrades will now be delayed for additional years due to the province's decision to lower the portion of traffic fine revenue that is shared with municipalities.

We are ready to provide solutions to the province's financial difficulties but to contribute we need to be invited to the table. Ahead of the next budget and legislative session, we ask that the Government of Alberta sit down with AUMA, who represents 85 percent of Alberta's population, to discuss the issues impacting Alberta communities and the collaborative solutions to address them.

Let's build a positive and constructive dialogue about how we as elected representatives can make life better for Albertans.

United in solutions

Participants at the summit were united in their support for the Rural Municipalities of Alberta's (RMA) call to address the approximately \$173 million in property taxes on oil and gas properties that are currently unpaid to rural municipalities.

AUMA joins RMA in seeking the following solutions:

1. That the MGA be updated so that oil and gas properties are subject to the same tax recovery tools as other businesses and that municipal property taxes be legally assured as a secured claim in the event of bankruptcy or receivership.
2. That unpaid property taxes be considered as grounds for the Alberta Energy Regulator to deny a license to operate in Alberta.