

January 4, 2023

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

Dear Minister Toews:

As you prepare the 2023 provincial budget, Alberta Municipalities would like to take the opportunity to provide the perspective of our members on several issues that are of importance to them. The decisions you and your colleagues make in Budget 2023 and the corresponding fiscal plan will have a long-term impact on municipalities, and on the individuals we represent.


In advance of Budgets 2021 and 2022, we asked you to consider three principle-based requests: stable and predictable long-term funding, being partners in economic growth and recovery, and avoid transferring costs and responsibilities to municipalities. While much has changed over the last twelve months, our budget principles have remained the same and we respectfully ask that they be considered as you prepare the 2023 provincial budget.

1. Stable and predictable long-term funding

Following years of advocacy for a new funding framework, the *Local Government Fiscal Framework Act* was passed by the legislature in fall 2019. After a delay, the introduction of the Local Government Fiscal Framework (LGFF) is finally on the horizon. Like any program, LGFF has its shortfalls, but it is important to recognize that we support many of its features, including legislated and predictable funding.

On the downside, the program fails in terms of one of the most important principles: revenue adequacy. When announced, the starting amount of LGFF was set at \$860 million, which is well below the necessary capital infrastructure funding that local communities require from the Provincial Government. In Budget 2021, the province took the further disappointing step to defer implementation of LGFF until 2024 and reduce the starting amount again to \$722 million. Alberta Municipalities will be submitting a separate proposal to yourself and the Minister of Municipal Affairs, identifying the 2024 LGFF starting amount that can be supported.

Additionally, the funding pool is set to grow at only half the rate of provincial revenues. This presents long-term challenges for municipalities as the funding will not keep pace with Alberta's economy or local community needs.



In Budget 2023, we ask that the province:

- Remove the 50 per cent limitation in the revenue index factor so that annual changes in LGFF will match annual changes in provincial revenue,
- Increase the starting amount of LGFF (ABmunis submission will be delivered by January 30, 2023), and
- Maintain operational MSI funding at its current level.

We ask that the province invest in municipalities to help maintain service delivery, create jobs, develop livable communities that will attract and retain new residences and businesses, and secure economic recovery and growth.

2. Partners in economic growth and recovery

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

Municipal governments are 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 business community – to attract investment and create economic opportunity. We ask that Budget 2023 incorporate support for municipal priorities for encouraging economic growth including:

Broadband: Broadband is an essential service that provides communities access to education, healthcare, government, and the marketplace. Lack of affordable, adequate, and reliable internet is holding many Albertans back and acting as a barrier to economic development, particularly in smaller and remote communities. Alberta Municipalities was greatly encouraged by the release of the province's broadband strategy and subsequent funding. We would like to see continued investment beyond the \$36 million announced as part of the Alberta Broadband Fund to enable broadband improvements in areas where funding from the Universal Broadband Fund is not available.

Permanent Funding for Public Transit: As public transit is among one of the most expensive services provided by municipalities, Alberta Municipalities has asked the province to reinstate permanent long-term transit funding that would provide predictable and stable funding so that communities with public transit can maximize the benefits of the strategic investments and contributions from the other orders of government. Public transit has a myriad of benefits for Albertans, from enabling seniors to age in place more easily, taking strain off roads and associated infrastructure, and ensuring people can travel to work and school without needing to own a private vehicle.

Additionally, we ask that you actively engage with the Government of Canada as they design the permanent public transit fund program that will commence in fiscal year 2026-27 to ensure no federal funding is left on the table and that the funding also supports small communities looking to establish transit or other alternative means of transportation to serve their residents. Similarly, we would also ask that sustainable and predictable transit operating funding be expanded to small and medium sized municipalities under the Rural Transit Fund.

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 involved funding and responsibility for several areas, including:


Loans to Local Authorities Loan Pricing Announcement: When the province wound down the Alberta Capital Finance Authority (ACFA), municipalities were informed that the government intended to carry on the policy of providing low-cost loans to local authorities and that there would be no change to lending policies or lending rates. Last year the province announced it has abandoned the commitment it made only three years ago and has increased the interest rates the Government of Alberta charges to eligible municipal authorities for financing capital projects. This policy shift will have a significant negative impact on municipal finances. By renegeing on the government's commitment to not change how the program is administered, significant costs have been transferred to municipalities, impacting the feasibility of many capital projects and placing further stress on the municipal finance model.

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. Under the new collective bargaining agreement for the RCMP, the salary for a First-Class Constable will increase by a total of 24 per cent, with an estimated \$80 million in retroactive pay attributed to the province under the Provincial Police Service Agreement (PPSA). Alberta Municipalities appreciates the province's support in advocating that the federal government cover all costs related to retroactive pay. However, should the federal government decline to do so, we trust that these costs will not be passed on to municipalities.

Affordable Housing: Alberta Municipalities was pleased to see the province commit to developing 13,000 additional affordable housing units and providing rent assistance to 12,000 more households under the affordable housing strategy. However, we are concerned to see a 64 per cent reduction in the province's capital funding for 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 per cent and the municipality contributing 20 per cent. The vast majority of Albertans reside in a community that offers an FCSS program and 63 per cent of the time the municipality delivering the FCSS services contributes more than the agreed 20 per cent 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. Since an investment of \$1 in preventative social services produces a social return on investment of \$6 - \$13 in other costs (addictions treatment, justice, and policing), increasing the provincial investment in FCSS makes good economic sense.

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 integrated services in times of greatest need.



The Medical First Response Program is a voluntary program that 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 to save lives and provide for a better level of care for their residences than ambulance service does alone (which can, at times, be delayed due to call load or other reasons). The rise in demand for emergency medical services over the past few years has disproportionately burdened municipalities that participate in the Medical First Response Program, as municipalities attempt to compensate for gaps in provincial emergency medical services.

Harm Reduction Sites: From 2016 to 2019, Alberta saw an overall decline in overdoses deaths, overdoses in emergency rooms, and EMS responses attributable to harm reduction initiatives. The COVID-19 pandemic is correlated with an increase in 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. While we appreciate the much-needed provincial investment in additional recovery spaces, there is still a need to provide harm reduction services to help reduce the negative consequences associated with drug use and act as a point of referral to recovery services.

Transparency of Impacts on Property Owners and Municipalities: In Alberta's 2019-20 and 2020-21 budgets, municipalities were displeased with the lack of transparency on some of the changes that were implemented. For example, in 2020, provincial leaders were quick to promote that policing grants had been maintained, while being less forthright about the fact that the province had cut the municipal share of traffic fine revenue. This was particularly concerning because this change resulted in a revenue loss equivalent to a 42 per cent cut in provincial policing grants. Budget 2022 forecasted that the province plans to increase education property taxes in the 2023-24 year. Alberta Municipalities asks that the Government of Alberta be transparent and forthright about this decision and any other changes in Budget 2023 that will have a direct or indirect impact on Alberta's property owners or municipal governments so that Albertans can more clearly understand the separation of responsibilities between the provincial government and municipal governments.

We ask you to please remember that the impacts of downloading and transferring costs at the provincial level are seen and felt by Albertans at the municipal level. Alberta's municipalities don't have the financial flexibility of other orders of government: they're not allowed to plan for operational deficits and are restricted by debt and debt-servicing limits. Unlike in many comparable North American jurisdictions, Alberta municipalities must rely heavily on 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 to meet the legislative requirement of a balanced budget. A prime example is reductions to Grants in Place of Taxes to cover the costs of municipal services delivered to provincial buildings. These reductions transfer the costs for services that benefit Albertans throughout a region and to landowners in a single municipality through a process that is neither fair nor transparent. 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 high inflation. Raising regressive property taxes would be counterproductive given current economic conditions.

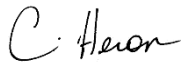
Provincial Education Property Tax

Budget 2022 forecasted that the Government of Alberta plans to increase provincial education property taxes in 2023-24 by 1.5 per cent. Since that time, Albertans have been increasingly challenged with affordability and the province has taken steps by announcing its Affordability Action Plan. While education property taxes are not addressed in that plan, Alberta Municipalities requests that the 2023 provincial education property taxes be frozen at the 2022 level, but if there is any adjustment, that it not surpass the planned 1.5 per cent increase. This action would help Alberta homeowners to better overcome the current inflationary pressures on household budgets.

Alberta Municipalities 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 2023. Our staff will reach out to your office to make the necessary arrangements. Please also feel free to reach out to me anytime by email at president@abmunis.ca or on my cell phone at (780) 288-6791.

Following consultations with your staff, I have attached Alberta Municipalities' 'dozen budget questions'. We would appreciate the assistance of your department in providing answers to these questions that we can then circulate to Alberta's towns, villages, summer villages and cities on budget day.

Sincerely,



Cathy Heron
Alberta Municipalities President

Cc:

Hon Danielle Smith, Premier and Minister of Intergovernmental Relations
Hon Devin Dreeshen, Minister of Transportation and Economic Corridors
Hon Nate Glubish, Minister of Technology and Innovation
Hon Peter Guthrie, Minister of Energy
Hon Matt Jones, Minister of Affordability and Utilities
Hon Nathan Neudorf, Deputy Premier and Minister of Infrastructure
Hon Rebecca Schulz, Minister of Municipal Affairs
Hon Rick Wilson, Minister of Indigenous Relations
Jordan Walker, MLA Sherwood Park