

## THE PILLARS OF PARTNERSHIP

### *Maintaining and Expanding Alberta's Advantage in the 21<sup>st</sup> Century Global Economy*

#### Introduction

The Governments of Alberta, Calgary and Edmonton share the vision of making the province the best place to live, work and play. In this context, there are clear and compelling reasons for municipal and provincial stakeholders to work together to create long range plans to support this vision.

In order to sustain growth, Calgary and Edmonton will require considerably more support from the provincial government as it relates to revenue sharing, property taxes and access to new long term and stable sources of revenue.

Some progress has been made – as witnessed by the \$3 billion in infrastructure grants provided to Alberta municipalities, a sharing of provincial fuel taxes with municipalities, and the passing of an accord to transfer a portion of federal gas tax revenues to Alberta municipalities.

Success will result from a strong partnership between the provincial government and its two major cities. This means empowering cities with the legal, policy and financial tools they need to become full partners with the **provincial government** in achieving this vision.

It is the goal of the Cities of Calgary and Edmonton to establish our positions on vital 'City' issues for the next budget process.

#### Municipal Revenues

Without change, cities may become impediments to growth rather than engines of growth.

The lack of municipal flexibility to properly finance the infrastructure and service requirements of growing cities will hinder the Province's ability to achieve its objectives under each of the four pillars of its long range strategic plan

#### *Property taxes*

Our main revenue source – property taxes – is shared with the **provincial government**, and as a result, our ability to fund our own vital services is severely compromised.

The **provincial government** needs to significantly decrease its reliance on property taxes to fund education. In 2000 The Government promised to cap the province-wide education requisition at \$1.2 billion. This commitment has not been honoured since 2001. The larger education requisition further crowds the tax room available on Calgary's and Edmonton's property tax bases.

It should also be noted that Calgary and Edmonton have had a proportionally increasing burden placed on them with regards to the provincial requisition since the quantity and quality of assessments are generally higher in larger urban areas.

Alberta's Legislative Assembly recognized the need for change when it passed Motion 501 in March of 2004. It acknowledged there is not enough room on the property tax base to provide the services that Calgarians and Edmontonians expect, while also helping to fund a major provincial responsibility such as education.

**<Graphic: highlighted text box: Be it resolved that the Legislative Assembly urge the government to phase out the education portion of property taxes over a 10-year period, gradually supplementing the loss from alternative sources thereby freeing up financial resources for municipalities to adequately provide required services>**

Calgary and Edmonton support Motion 501. We urge the **provincial government** to honour the \$1.2 billion cap and to reduce it an additional \$240 million annually for five years at the end of which it is eliminated as a provincial tax source.

#### *Revenue Sharing*

Like all of Alberta, Edmonton and Calgary tightened belts and managed budgets to combat the deficit and debt issues of the '90s. The payoff is obvious - we are now the beneficiaries of a healthy economy.

Unfortunately, another outcome of those fiscal restraints is that we, like the Province, have been left with a major infrastructure deficit.

The two big cities have identified billions of dollars of infrastructure projects necessary to support and sustain growth. These are not projects that can be funded solely by property taxes.

Existing infrastructure support programs focus almost exclusively on "core" infrastructure, despite a clear need by the two cities for social, community and recreation infrastructure as well. Our only option for dealing with this component of the infrastructure deficit is to fund it from the property tax base which does not generate enough funds to adequately respond to our infrastructure needs.

Calgary and Edmonton are also being relied upon to provide services for which the property tax base is not well suited. Social services, poverty and crime mitigation, homelessness, immigrant settlement, and drug abuse -- these are more appropriately addressed by other forms of taxation with a broader tax base such as income taxes **to which** Cities do not have access.

Cities' social and infrastructure concerns must be considered parallel to provincial concerns because responsibility **for the delivery of** them is shared between the two jurisdictions and the impact they have on Alberta's overall economy is substantial. Cities need to play a more active role in determining infrastructure priorities and planning for the long-term within the provincial budget process - not as a subject of one time grants.

Calgary and Edmonton need the ability to fully address their infrastructure deficit and operational challenge. We need the provincial government to commit to a sustainable funding mechanism like revenue sharing.

#### *Other Sources of Revenue*

Calgary and Edmonton's ability to meet the demands of growth are constrained by our lack of revenue sources, and by the type of revenue sources available. And none of those are sensitive to the needs of a

rapidly growing population. The inelasticity of property taxes prevents us from properly responding to our own growth needs.

Some of those needs are addressed through government grant programs – but grants are a ‘one-time’ resource and cannot contribute to long-term planning.

**<Graphic: highlighted text box listing types of revenues available to the provincial government vs. municipal governments>**

Growth-responsive revenue sources like income and sales taxes are held exclusively by other orders of government. However, cities’ infrastructure, which is directly affected by growth, is funded through sources of revenue that do not respond well to growth.

Only through growth responsive sources of revenue can Calgary and Edmonton address the social support needs of their citizens, their ongoing infrastructure concerns and ensure their long term operational sustainability. A new legal framework allowing access to growth-responsive sources of revenues is needed.

*The Cities of Calgary and Edmonton:*

- **Urge** the provincial government to honour its commitment to cap the total provincial education requisition at \$1.2 billion and reduce the requisition an additional \$240 million annually for five years at the end of which it is eliminated as a provincial tax source.
- **Urge** the provincial government to provide a more equitable distribution of the wealth generated by the Cities.
- **Urge** the provincial government to make a long term financial commitment to assist municipalities in developing social, community and recreation infrastructure projects – facilities and programs that enhance quality of life.
- **Urge** the provincial government to introduce and pass legislation that expands cities’ ability to access other sources of revenues.

**Shared Responsibilities**

For Alberta to remain globally competitive, industry, business and educated and skilled labour must be attracted to the province. – and convinced to stay. Quality of life becomes an important decision making factor in this regard and for Calgary and Edmonton it is a key advantage. The two Cities already have much to offer in terms of culture, education, health, recreation, environment and government. But sustaining this advantage is a responsibility the provincial government must share with municipalities. We also share the responsibility of ensuring all Albertans have access to the opportunities that will improve their quality of life.

Calgary and Edmonton are prepared to work with the Province to help maintain and enhance our cities’ global competitiveness. Therefore, the following recommendations are being made for the provincial government’s 2006/07 budget.

## *Protective Services*

### *Police Services:*

Our citizens need a long term commitment from the provincial government with regard to their personal safety. While we appreciate the 2005 contribution to policing funds of \$16 per capita, the removal by the Province of existing unconditional grants at the same time results in a net contribution of only about \$8 per capita. In addition, the Province's commitment to policing is now limited to a one year agreement.

**<Graphic: showing % of contribution to policing by Calgary vs. provincial government>**

**<Graphic : showing % of contribution to policing by Edmonton vs. provincial government>**

Meanwhile, more is being expected from the Edmonton and Calgary Police forces at a time when our internal resources are limited. For instance, both Edmonton and Calgary contribute officers to the province-wide anti gang unit program. Though a portion of the related costs are born by the Province, officer resources are pulled from city forces, trained at our expense and must ultimately be replaced through our budget.

### *Emergency Medical Services (EMS):*

Calgary and Edmonton agree that ambulance service should be considered part of the health care system. At the same time it's also critically linked to the municipal public safety system – as part of community and protective services in preparedness, large scale events, hazmat, and linkages with police and first responder training. It's critical therefore, that the role of EMS at the intersection of health and public safety is reflected in funding formulas for EMS.

We believe it is important that a formula is established that supports partnerships, addresses complexity of service delivery, and creates incentives that drive service delivery innovation. Per capita funding is suitable for establishing a foundation of service that supports preparedness and certain infrastructure costs but it does not fully reflect the whole picture. Formulas should also consider demographic and socioeconomic factors that affect service volumes, cost per case, services provided to other regions and participation in research in the field.

The provincial government should develop funding strategies that incorporate a long term vision for sustainable service delivery that acknowledges the diversity and complexity of emergency and protective services in Calgary and Edmonton.

### *The Cities of Calgary and Edmonton:*

- Urge the provincial government to provide more funding for police services in Calgary and Edmonton which would better reflect the provincial government's control and authority with regard to the delivery of this service.
- Support the recognition by the provincial government that ambulance services are part of the provincial government's health service.
- Urge the provincial government to recognize that ambulance services are critically linked to the municipal public safety system.

- Urge the provincial government to maintain the current ambulance service levels available to Calgarians and Edmontonians by providing for the full costs of maintaining and operating the system.

### *Income Support Programs*

The dignity of our citizens and the pride they feel in their communities depend on the provincial government's choice of action when it comes to meeting the needs of our most vulnerable citizens.

Calgarians and Edmontonians believe that all citizens have the right to a decent and dignified lifestyle that does not demean either themselves or the communities in which they live.

While the support and care of these citizens is the provincial government's responsibility, we recognize the role cities play and have marshalled resources to that end; service delivery is managed on a community level.

However, we believe benefits available through income support programs are insufficient to meet the basic needs of individuals and families.

### *Assured Income for the Severely Handicapped (AISH)*

Calgary and Edmonton support the increased monthly benefit that AISH recipients received in the last provincial budget. It affects approximately 11,000 people in Calgary and 10,000 in Edmonton. However, while the increase is welcome, higher living costs limit the impact that the new benefit level will have for citizens that cannot physically work.

**<Graphic: showing difference cost of living in Calgary and Edmonton in 1993 vs. in 2005>**

### *Income support*

Recent increases in core support for families with children are insignificant in offsetting the 1993 reduction in benefits and the further erosion of those benefits by inflation.

### *Public transit pass*

Public transportation is the primary means of transportation for many low-income Albertans. It should not be a barrier to participation in the economy. By participating in the economy, they're contributing to the provincial tax base.

The Cities of Calgary and Edmonton currently provide limited transportation support for low-income individuals, providing 56,000 transit tickets annually in Calgary and 43,000 annual transit tickets in Edmonton.

All orders of government need to work together to develop plans that move underemployed or working poor up the ladder. A long term proactive solution is required. In the short term, necessity dictates support funding from the provincial government.

### *The Cities of Calgary and Edmonton:*

- **Urge** the provincial government to reinstate income support benefits to their 1993 levels, adjusted for inflation, and that income support benefit levels be indexed to the Consumer Price Index. Also, urge the provincial government to phase-in the use of the Market Basket Measure as a minimum income threshold for the establishment of benefit rates.
- **Urge** the provincial government to index AISH benefits to the Consumer Price Index and phase-in the use of the Market Basket Measure as a minimum income threshold for the establishment of benefit rates.
- **Urge** the provincial government to help fund a transit subsidization program for low-income Albertans.

### *Affordable Housing*

#### *Funding for Existing and Ongoing Projects*

We encourage the Province to increase funding to this vital area.

Over 38,000 households in Edmonton pay more than 30% of their income on rent while earning less than \$30,000 annually. Nearly half of those spend more than 50% on housing. Wait lists for social housing are substantial and growing. In Calgary, over 58,000 households are low income and overspending on shelter. Approximately 2000 households are on the Calgary Housing Company waitlist. Both cities welcome the provincial government's provision of matching capital funds under the Canada-Alberta Affordable Housing Program.

Of the three orders of government, the municipal is best-suited to identify needs. We know the crucial-needs neighbourhoods and the organizations that manage shelters and affordable housing projects. Yet there is a disconnect between the resident municipal expertise and the other orders of government who identify projects and determine funding allocations under the Affordable Housing Program.

The Cities recognize the lack of funding for operating expenditures is an impediment to bringing more affordable housing projects to fruition. This lack of operating support prevents low-income Albertans from moving through the housing continuum from dependant to independent living.

#### *Block Capital Funding*

Multi-year block funding is needed to enable the City of Calgary and the City of Edmonton to enter into time sensitive negotiations with the private sector on affordable housing developments and purchase opportunities. Without secure funding, both Calgary and Edmonton have been unable to properly entertain these opportunities. The absence of a funding structure to allow dedicated block capital funding to the two big cities will continue to impede the ability of each city to bring more affordable housing projects to fruition. Block capital funding would not only make units available more quickly, but it would also allow for a more efficient use of affordable housing funds through more efficient and effective project planning, mitigate developer risk and enable the provision of mixed-income communities.

### *Continuation of the Program/Increase in Program Funding:*

The Canada-Alberta Affordable Housing Partnerships Initiative should be an ongoing senior government program that provides overall funding for the City of Calgary (\$60 million/year) to meet the Community Plan target of developing 400 units per year and to enable Edmonton's *Cornerstones Plan* target for 500 units per year from 2006 and 2011 at an annual cost of \$75 million.

### *Increase in Income Support Funding*

Given that housing needs also stem from insufficient incomes and income supports, the Government of Alberta should continue to increase income levels in the Supports for Independence (SFI) and Assured Income for the Severely Handicapped (AISH) income support programs annually until average market rents in Calgary and Edmonton require no more than 30% of total incomes received under these programs.

### *The Cities of Calgary and Edmonton:*

- **Urge** the provincial government to provide dedicated and stable funding to support the operation of affordable housing projects (e.g. rent supplement operating subsidies).
- **Urge** the provincial government to dedicate block capital funding to municipalities that will add flexibility and help address local context issues.
- **Urge** the provincial government to work with the federal government to providing ongoing funding for the Affordable Housing Program, as well as provide sufficient funding to achieve 400 units per year in Calgary and 2,500 units from 2006 to 2011 in Edmonton.
- **Urge** the provincial government to provide for annual increases to the Supports for Independence (SFI) and Assured Income for the Severely Handicapped (AISH) income support programs until average market rents in Calgary and Edmonton require that program recipients do not have to pay more than 30% of income on housing.

### **Concluding Remarks**

We all have a role to play in the success of Alberta. Time and resources are not unlimited, and opportunity can be fleeting. Planning, strategic thinking, proactive management, responsible partnerships – these are what we can achieve together.

The Cities of Edmonton and Calgary want to contribute to and influence those achievements. We encourage the Government of Alberta to review these issues from the standpoint of sustainability rather than intervention and to continue working with us to design a workable framework for partnership that will take Alberta well into the 21<sup>st</sup> century and to further prosperity and success.