

Inequities Inherent in the Municipal Sustainability Initiative Funding Allocation

Recommendation:

That the Mayor, on behalf of City Council, send the letter, Attachment 1 of the September 18, 2013, Financial Services and Utilities report CR_416, to the Premier of Alberta.

Report Summary

This report provides a draft letter to be sent on behalf of the Mayor to the Premier of Alberta for consideration by Council, as well as some background information.

Previous Council/Committee Action

At the July 3, 2013, City Council meeting, the following motion was passed:

That Administration prepare a draft letter for consideration by City Council to send to the Province indicating that there are substantial inequities inherent in the Municipal Sustainability Initiative funding allocation, and outlining that the allocation of these funds should include consideration of the age of the infrastructure and the significance of the infrastructure burden on the municipality.

Report

Background

Launched in 2007, the Municipal Sustainability Initiative program was designed to provide Alberta municipalities with sustainable infrastructure funding over a 10-year timeframe until 2016-2017. The province-wide program is valued at \$11.3 billion over the life of the program; Edmonton's allocation is projected to be approximately \$2.1 billion.

Based on the program contribution agreement, Edmonton received \$77 million in 2007, \$91.8 million in 2008-2009, and was to receive \$111.1 million in 2009-2010, ramping up to \$260.7 million annually in 2010-2011.

As a result of the provincial government's fiscal constraints, Municipal Sustainability Initiative revenues have been lower than anticipated since 2009, and have never fully ramped up to the \$260.7 million annually that was projected. For Edmonton, this reduction has resulted in annual Municipal Sustainability Initiative allocations of \$71.8 million for 2009-2010, \$161.4 million in 2010-2011, \$164.6 million in 2011-2012, \$167 million in 2012-2013, and \$170.4 million in 2013-2014.

Despite the adjustment to the Municipal Sustainability Initiative payment schedule, the province has continued to reiterate its commitment to Municipal Sustainability Initiative and has maintained that municipalities will receive their full program allocations – albeit over a timeframe that extends beyond the original 10-year term of the

program.

Allocating Municipal Sustainability Initiative Funding

Currently, the Province of Alberta uses a funding formula that combines multiple factors to allocate the \$11.3 billion to municipalities across the province. The factors used are population, local roads and education tax requisition. Our annual Municipal Sustainability Initiative grant from the province is a product of the portion of the provinces' annual budget devoted to the Municipal Sustainability Initiative, and the allocation formula.

The use of population and education tax requisition as allocation factors are not direct measures of the overall use, complexity, quantity, and performance of a municipality's inventory of assets. The local road factor begins to address the issue of quantity, but only for one particular asset, and one that biases the calculation for rural municipalities.

In formulating the proposed letter to the Premier, Administration considered several factors that could contribute to a more fair and balanced Municipal Sustainability Initiative allocation, including age and consideration of the infrastructure burden. In considering age as a factor, Administration would note that it should not be the intention of this factor to reward bad behaviour, in that municipalities like the City of Edmonton who have a good track record of renewing/replacing their assets are not punished for doing so.

The infrastructure burden a municipality must carry to support the economic and recreational needs of a surrounding

region should be considered in a new allocation formula. As outlined in the proposed letter, the City of Edmonton's population of 820,000 supports a complex network of transportation, recreation, emergency, and environmental assets that benefit a surrounding population of over one million.

It is hoped that this initiative, combined with a broader Big City strategy, can gain a fair deal for the larger urban municipalities in Alberta. These cities do not just act to house a population, rather they drive the social, technological, and economic engines of the province, which in turn generates the wealth in which the Municipal Sustainability Initiative itself is based upon.

Corporate Outcomes

- The City has well-managed and sustainable assets and services.
- The City is an effective enabler in partnerships and collaborative efforts that strengthen the region and beyond.

Justification of Recommendation

Approval of the attached letter is required to fulfill the request made by Council on July 3, 2013.

Attachment

1. Draft Letter to the Honourable Alison Redford, Premier of Alberta