

## Fiscal Framework

**Title of Resolution:** Fiscal Framework

**Moved by:** City of Edmonton

**Seconded by:** City of Red Deer

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**WHEREAS** The economic crisis stemming from the COVID-19 pandemic and the recent collapse in energy prices provides a real opportunity to rethink the fiscal and economic tools historically used by municipalities.

**WHEREAS** The role of local governments has evolved significantly over the last couple of decades with municipalities being essential partners in developing and implementing strategies on a range of provincial priorities, including economic, social and environmental issues.

**WHEREAS** Alberta municipalities, in the input they provided individually and collectively to the Government of Alberta's modernization of the *Municipal Government Act*, proposed changes that included a new fiscal relationship with the province that would establish a sustainable and sufficient funding model for municipalities.

**WHEREAS** Alberta municipalities have long advocated for long-term, stable, predictable, and appropriate funding in order to play a meaningful role in the provincial strategy to make our economy recover and grow.

**WHEREAS** Principles contained in legislation such as the *Local Government Fiscal Framework Act*, and the previous *City Charters Fiscal Framework Act*, are a step in the direction of municipalities being partners with the provincial government - partners that are willing and able to ride the ebbs and flows of the provincial economy.

**WHEREAS** Municipalities are extremely constrained by legislation in their ability to generate revenue to fund their capital and operating expenses, with property taxes being an unsuitable and unsustainable tool for Alberta's municipalities to support essential services, build robust centres of economic growth, and maintain critical infrastructure.

**WHEREAS** The fiscal power and fiscal tools actually reside with other orders of government.

**IT IS THEREFORE RESOLVED THAT** the AUMA advocate for the Government of Alberta to reshape municipal finance for a new time and provide municipalities with

reasonable measures and tools, and the responsibility that goes with them, to enable cities, towns and villages to sustainably meet their operating and capital budget needs.

### BACKGROUND

This is an issue that impacts all municipalities, small, medium and large. The largest cities have been at the forefront in attempting to make changes through City Charters, but municipalities of all sizes need a renewed fiscal framework. This has become more apparent in the current COVID-19 pandemic crisis, with municipalities facing huge shortfalls in revenues and not having a diverse revenue tool kit to make up for those shortfalls.

The AUMA has been active on this issue for some time. Recent resolutions and responses to provincial government budgets and legislation have addressed this matter in part (itemized below). However, this new resolution speaks more directly to the issue, and is a strong complement to previous AUMA positioning and public commentary..

- **AUMA News Release (Nov 4, 2019): [Municipalities need to be full partners - a statement on Bill 20](#) - joint release with Edmonton, Calgary, RMA**
  - We strongly urge the Government of Alberta to amend Bill 20 to allow future municipal funding growth tied fully to provincial revenues at a one-to-one ratio which would allow municipalities to increase investment in needed infrastructure when revenue is positive, and make necessary adjustments during more challenging times. Without this complete indexing connection, municipalities will be left behind from an inflationary perspective.
  - “We urge the government to take a longer term view of the role of municipalities. We encourage them to work with us to determine the appropriate formulas and solutions to help address the fiscal challenges while continuing to make our economy grow.”
- **AUMA Member News (Sept 11, 2019) : [AUMA looks forward to working with provincial government on aspects of MacKinnon Report](#)**
  - AUMA remains committed to working with our partners at the Rural Municipalities Association (RMA) and the provincial government to create a new fiscal framework for municipalities that supports the province’s financial goals. It’s imperative that we maintain the critical infrastructure that supports Albertans’ quality of life. This is the only way our province will continue to attract new investment and talent.
- **AUMA Member News (March 26, 2019): [Why municipalities need equitable infrastructure funding](#)**

- Alberta municipalities need an equitable, adequate and predictable infrastructure funding program that is established in legislation and allows municipalities to plan effectively while being flexible to the province's fiscal realities. AUMA has proposed a new fiscal framework that offers:
  - Adequate funding that is equitable with the City Charters Fiscal Framework Act
  - Predictability by calculating the amount of annual funding based on the province's actual revenues from three years prior
  - Long-term growth of the funding through a link to provincial revenues
  - Stability by enshrining the fiscal framework in legislation
- **Adopted-Active Resolution (2018): [New funding model to replace the Municipal Sustainability Initiative](#)**
  - The AUMA advocate that the Government of Alberta legislate and index annual funding under the new infrastructure program as a fixed percentage of the province's total revenue excluding transfers from the federal government and that the annual funding amount be calculated based on the province's actual revenue from two years prior.
- **AUMA News (Nov 2, 2017): [Modernized Municipal Government Act proclaimed October 26](#)**
  - Given the strain that new requirements will put on municipalities on top of an already challenging fiscal environment, one of our main priorities will be pushing for a new fiscal relationship with the province. Establishing a sustainable and sufficient funding model for municipalities is vital to ensuring Albertan communities remain healthy and prosperous into the future.
- **Adopted Resolution (2017): [Commitment to Formal Municipal Consultations on the Future of Provincial Revenue Sharing](#)**
  - The Alberta Urban Municipalities Association (AUMA) seek a commitment from the Minister of Municipal Affairs to timely, inclusive and comprehensive consultations with municipalities on the future of provincial revenue sharing to occur within the first six month of 2018 to ensure adequate time for feedback to be incorporated prior to expiry of the Municipal Sustainability Initiative (MSI) and that the details of those consultations are shared with municipalities sufficiently in advance.

The Federation of Canadian Municipalities (FCM) has been advocating for some time for an update to Canada's fiscal framework that addresses the realities of 21st century mandates and responsibilities of municipalities, including the types of direct fiscal tools that can promote economic development and competitiveness at the local level. FCM has been engaging federal ministers and ministries in an ongoing dialogue on how a

## Attachment 2

modernized fiscal framework can empower municipalities with the tools they need to respond to a broad range of local priorities.