

**Deputy City Manager's Office Report to
Intergovernmental Affairs Committee
2019 December 13**

**ISC: UNRESTRICTED
IGA2019-1571**

City Charter Update

EXECUTIVE SUMMARY

Upon the signing of the Framework Agreement for Charters in 2014 (Attachment 1), then Premier Prentice stated: “Calgary and Edmonton have unique challenges, unique growth pressures, but also unique opportunities. This Framework Agreement reaffirms and strengthens the province’s commitment to support both Edmonton and Calgary in their aspirations for the future.” Essentially, the charter project was recognition that the one-size-fits-all approach of the Municipal Government Act (MGA) was in many ways ill-suited to Alberta’s largest cities.

The charters were meant to benefit the cities and the province as a whole. The Framework Agreement recognized that there was opportunity to be realized in working together, and committed the three parties to “a relationship of ongoing consultation and cooperation on matters of mutual interest.”

By 2018, this promise had been realized in the form of City Charter Regulations, bestowing new authorities on the cities of Calgary and Edmonton, a new City Charter Fiscal Framework, and a culture of charter-based collaboration allowing for continued growth and change. Since then, the City Charter has been used to deliver on such mutual objectives as the reduction of red tape, the finding of efficiencies to pass on to taxpayers, and the exercise of fiscal restraint. In short, the City Charter has provided both a space for a dialogue about shared challenges and opportunities and a vehicle to tackle those challenges and seize those opportunities to make life better for Calgarians and all Albertans.

On 2019 June 10, Council directed continued advocacy on taxation and assessment reform when approving immediate tax relief for Calgary businesses, which included \$60M in permanent reductions to The City’s tax-supported operating budget. Renewed engagement on the City Charter could provide a needed mechanism to advance these discussions and provide further relief.

ADMINISTRATION RECOMMENDATION:

That the Intergovernmental Affairs Committee recommends that Council:

1. Receive this report as an update on the implementation of existing City Charter authorities; and
2. Direct Administration to continue ongoing provincial advocacy to create new authorities within the City Charter, such as the needed reforms to the taxation and assessment system.

PREVIOUS COUNCIL DIRECTION / POLICY

Council direction on the city charter project dates back to 2014 October 27 and a presentation to City Council on the “Civic Charter Workplan and Timelines.” Since then, Administration has engaged Council many times along the way, including regular updates to the IGA Committee of Council, and seeking direction and approvals at Council at key decision points including approval of the fiscal framework proposal (C2017-0167) and approval of a package of new regulatory authorities prior to public consultation (C2016-0755). The most recent update to Council came through the IGA Committee in 2018 December (IGA2018-1449).

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On 2019 June 10, in addressing Immediate Tax Relief for Calgary Businesses (C2019-0782), Council requested that the Mayor “send a letter to our partners in the provincial government” requesting that the province “engage in discussions regarding taxation and assessment reform.”

BACKGROUND

The Origins of the City Charter

Although discussion of big city charters in Alberta dates to a 2012 Memorandum of Understanding (Attachment 2) and even prior, the project began in earnest with the signing of the Framework Agreement on Charters in 2014. Among other things, the Framework Agreement committed the Government of Alberta and the cities of Calgary and Edmonton to a workplan to achieve a “new legislative framework that adequately recognizes the capabilities and responsibilities of the Cities” in recognition of “the contributions of the cities to the economic vibrancy and competitiveness of their respective regions and in Alberta.”

Fast forward to the spring of 2018, and following administrative and political collaboration, as well as several rounds of public and stakeholder consultations, the *City of Calgary Charter, 2018 Regulation* (as well as its Edmonton counterpart) was proclaimed into force. This first tranche of changes bestowed 37 new authorities on The City of Calgary that could be grouped into four categories: improving administrative efficiency, smarter community planning, community wellbeing and environmental stewardship. While several proposals for change were either left off the table pending further discussion or dismissed by the province, these regulatory changes were accompanied by a “Collaboration Agreement” that committed the parties to working together in areas of mutual interest, but that didn’t lend themselves to an easy regulatory fix. A full list of Charter authorities can be found at Attachment 3, while the Collaboration Agreement is at Attachment 4.

Later in 2018, the Government of Alberta passed Bill 32, *The City Charters Fiscal Framework Act*. Bill 32 represented the culmination of a prolonged discussions about the full range revenue-generating potential for the two cities and ended with a new approach to capital support as the centre-piece of the new fiscal framework. Against the backdrop of the provincial recession and slow economic recovery, the negotiations were informed by a recognition by all parties of a need for economic restraint, and the principle that the new fiscal framework “do no harm” to any party. The cities of Calgary and Edmonton therefore agreed to a significant, 33% reduction of provincial support for municipal capital in exchange for the certainty and predictability of a revenue-sharing plan. Bill 32 also entrenched a long-term transit funding strategy that would provide Calgary and Edmonton with \$200M each annually beginning in 2026.

Finally, in late 2018, the province introduced further regulatory changes. This “Charter 2.0” amended the *City of Calgary Charter Regulation* to bestow five additional authorities that had been omitted from the earlier package pending further engagement.

The Charter has been the product of dialogue and collaboration, working toward changes that recognized the distinct challenges and opportunities faced by big cities, while advancing province-wide prosperity.

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Implementing the Charter

Since the adoption of the Charter Regulation, The City of Calgary has either implemented, or begun to explore the implementation of 14 changes (see Attachment 3). In most cases, these changes achieve not just City of Calgary goals, but provincial goals as well. The use of electronic notices, for instance, is meant to create administrative efficiencies that can be passed on to the taxpayer. Exploration of a municipal tribunal is intended to improve service for Calgarians while supporting provincial efforts to reduce the burden on the provincial court system and providing Calgarians with clear lines of accountability. On 2019 October 21, Council approved changes to off-site levies in Charter Bylaw 2H2019, which contributes to the funding of infrastructure that supports social and environmental wellbeing, and safe and resilient communities. They also help support the economic benefits of community growth, such as attracting private investment and creating jobs, and give greater certainty to the development industry. This bylaw amendment is the first step in the Off-site Levy Bylaw review that will occur through 2020.

At the same time, there are several Charter authorities that The City has yet to implement, which carry similar promise and are pending operational capacity or important conversations with key stakeholders.

Preserving and Promoting the Charter

Having seen the benefits of the City Charter while looking to preserve the opportunity for further change, The City of Calgary posed the following questions to each of the parties contesting the spring 2019 provincial election as part of the YYC Matters survey:

- Does your party support this [city charter] revenue sharing model?
- Does your party support or oppose further City Charter discussions with Calgary...on additional policy tools that could be used to improve the lives of our citizens?

The United Conservative Party (UCP) responded as follows:

- "Yes, the United Conservative caucus voted for *City Charters Fiscal Framework Act* in the fall legislature sitting and will respect the multi-year funding in the agreement;" and
- "A United Conservative Government will always be willing to discuss policy tools that could be used to improve the lives of Albertans."

The UCP made the further commitment in its platform, *Alberta Strong & Free*, to "maintain...the multi-year agreement in the Bill 32 Charters for Calgary and Edmonton."

These public commitments, along with the multi-party support for the City Charters over the previous years provided some assurance that the new government saw that the Charter as good for The City and the province, and that The City could continue to count on the fair deal it provided.

The recent provincial budget released in 2019 October, and subsequent Bill 20 revoked Bill 32 in its entirety, eliminated the long-term transit funding plan, and replacing the revenue sharing plan for big cities with a further cut to capital transfers. The City is currently working collaboratively across services to understand the impact of this reduction in capital funding and prepare recommendations for Council's consideration in early 2019.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

The elimination of Bill 32 and the City Charter Fiscal Framework will have a significant impact on The City, particularly when combined with recent changes unilaterally deferring the province's contribution to Green Line and legislating the ability to cancel funding agreements without cause.

While the City Charter Regulation remains intact thus far, there is reason for caution.

- In past years, in recognition of its Charter status, The City of Calgary was engaged as a partner in the development of policy. More recently, to the extent it has been engaged at all, it has been as one stakeholder among many.
- There is also some risk that the Charter Regulation could be included in the province's interest to reduce the number of regulations, even though many of the charter provisions are themselves designed to reduce red tape, and have begun to do so.
- The province has begun the process of migrating several of the provisions in the Charter Regulation into the MGA (see Attachment 5) which would provide Alberta's other municipalities with many of the same enabling authorities.
- Charter provisions being replicated in the MGA have been repealed from the Charter Regulation as of 2019 December 6, reducing the overall size of the City Charter.

Like the Fiscal Framework, a dismantling of the City Charter Regulation would be a significant loss.

First, the loss of the City Charter would prevent The City from adopting new practices designed to improve local government and achieve priorities shared with the Government of Alberta including: measures to improve the economy, cut red tape and increase efficiencies of administrative processes.

Second, it would create uncertainty for Charter authorities The City has taken steps to implement. Were those authorities to be revoked or even altered by their migration to the MGA, there would likely be considerable operational expense associated with reverting to previous practices and foregoing the efficiencies realized through the Charter.

Third, the loss of the Charter would almost foreclose on future innovation. The Charter has been an iterative process to ensure it could adapt to new challenges and opportunities. Currently, for instance, The City is struggling with how to address what has become known as the "downtown tax shift". This distinctly local problem is a complex one, generated by structural economic shifts and the flight of head-office jobs from the downtown core. Policy innovation to help address this problem has been hindered by the restrictions of provincial law. The Charter could be a vehicle to address these distinct local challenges by developing a distinctly local solution needed to help ensure Calgary's economic recovery.

Finally, the Charter can advance not just municipal priorities, but provincial ones as well. Its loss would prevent the opportunity to identify ways that changes at The City can deliver on a mutual agenda of red tape reduction, economic resilience and fiscal responsibility.

Stakeholder Engagement, Research and Communication

The City Charters were themselves the subject of a public and stakeholder engagement process led by the province and supported by the cities of Calgary and Edmonton. This process included two stakeholder workshops and two public open houses in each of the cities as well as

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online consultations. A “What We Heard Report” can be found here: <https://www.alberta.ca/assets/documents/city-charters-what-we-heard.pdf>. The publication of the City Charter Regulation and amendments was also accompanied by a period of public and stakeholder feedback.

Where The City has opted to step into different Charter authorities, in most cases these decisions have been accompanied by a heightened degree of public input through the requirement for a Public Hearing.

Strategic Alignment

Pursuit and protection aligns with several Council Directives to enhance our partnerships with other orders of government (i.e. P4, P5).

Social, Environmental, Economic (External)

The City Charter Regulation includes several changes under the category of “supporting community well-being,” which provide The City with authorities to enhance social supports including affordable housing. Future charter discussions could alter or enhance these authorities.

Under the category of “empowering local environmental stewardship” the Charter Regulation provides additional authority to support local environmental efforts and requires The City of Calgary to prepare a Climate Change Mitigation and Adaptation Strategy. Future charter discussions could alter or enhance these authorities.

Although the core of the City Charter Fiscal Framework was lost with the repeal of Bill 32, the charter remains a vehicle for the province and City of Calgary to explore local solutions to local problems, including ways to support local business and taxpayers through structural changes in the local economy.

Financial Capacity

Current and Future Operating Budget:

Many of the changes contained in the City Charter Regulation were intended to improve administrative efficiency and find cost savings that could be passed on to the local tax payer. Some of these have already been implemented. If revoked, the ability to realize these savings could be lost. There may be additional operational costs required to update systems or inform the public of any changes. In addition, as there are authorities that have not yet been adopted by The City, their loss could preclude the ability to realize future savings.

Current and Future Capital Budget:

The loss of the City Charter Fiscal Framework had a significant impact on The City’s capital budget, particularly as that agreement already represented a significant cut to provincial transfers as The City agreed to do its part to support the province’s path to balance. However, while we are hopeful that the province will be receptive to a call for renewed charter discussions, it seems unlikely in the current economic climate that the province will increase capital transfers.

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Risk Assessment

The Government of Alberta has not signalled publicly its intention to revoke the City Charter Regulation in its entirety. However, for the reasons contained in this report, Administration believes the likelihood remains moderate and the impact, should it occur, would be high. In summary, the risks associated with the loss of the City Charter include:

- lost opportunities for The City to realize cost-savings and efficiencies through the adoption of Charter authorities;
- operational costs associated with “undoing” existing Charter policies and reverting to old ways of doing business;
- reduced likelihood of further innovation; and
- missed opportunities for collaboration with the province to achieve shared objectives including reducing red-tape, economic resilience and fiscal responsibility.

REASON(S) FOR RECOMMENDATION(S):

Administration is providing an update to the Intergovernmental Affairs Committee on the status of the authorities currently being used by The City to reduce red tape and provide citizens clear lines of accountability, and to inform ongoing advocacy to address current local challenges.

ATTACHMENT(S)

1. Framework Agreement for Charters (2014)
2. Memorandum of Understanding (2012)
3. City Charter Regulations: Summary and Implementation Status
4. Collaboration Agreement
5. List of Charter Authorities Replicated in the MGA