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City Manager's Office Report to the
Council
2013 December 16

DEC 16 2013

ITEM:

C2013-0846
Urgent Business

ISC: UNRESTRICTED
C2013-0846
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**PROPOSED RECOMMENDATIONS FOR THE CITY OF CALGARY'S SUBMISSION FOR
THE GOVERNMENT OF ALBERTA'S 2014-15 BUDGET**

EXECUTIVE SUMMARY

This report provides proposed recommendations for The City of Calgary's submission to the Government of Alberta for its 2014-15 budget. The City of Calgary prepares annual budget submissions as one means of advocating for our intergovernmental positions and advancing our municipal interests to the provincial government. Having a Council-approved submission also supports advocacy efforts at the administrative level in that it serves as a tool that may be used by City Administration to inform provincial administrative officials of The City's positions and interests for the coming year.

The report includes an overview of recommendations from the 2013-14 Budget submission approved by Council in 2012; the analysis of 2013-14 Provincial Budget; developments following the release of the Budget; and proposed recommendations for The City's submission to the 2014-15 Provincial Budget.

ADMINISTRATION RECOMMENDATION(S)

That Council direct Administration to submit the proposed recommendations within this report to the Government of Alberta for consideration in its 2014-15 budget.

PREVIOUS COUNCIL DIRECTION / POLICY

At its meeting on 2012 November 19, Council approved Administration's proposed recommendations for The City of Calgary's submission to the Government of Alberta for its 2013-14 budget (IGA2012-0666).

BACKGROUND

Recommendations from 2013-14 Budget submission

In 2012 December, The City put forward its 2013-14 provincial submission. While the economic indicators for Alberta continued to suggest that the province's financial outlook showed promise over the long-term, resource revenues proved to be disappointing, and Administration believed that recommendations to increase funding commitments would not be heard. Accordingly, Administration recommended that the focus of the budget submission be advancements in key policy areas.

Primary of these considerations was the development of a new relationship with the government of Alberta, and specifically to build on the work which culminated in the signing of a Memorandum of Understanding (MOU) in June 2012. The new relationship, founded on mutual respect, collaboration and consultation as outlined in the MOU, will provide The City of Calgary with greater flexibility and authority to meet citizen expectations efficiently and effectively. Maintaining the momentum of this work with the Government of Alberta and finalizing and implementing the new relationship was a key recommendation of the submission.

Other key policy and program initiatives that were outlined included:

- The provision of long-term and stable funding for capital infrastructure projects through renewal of the Municipal Sustainability Initiative (MSI), scheduled to expire in 2017. The MSI is critical to support The City's long-term infrastructure goals. In the spirit of a new

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provincial-municipal relationship, it was recommended that the Government of Alberta work collaboratively with The City of Calgary to address municipal funding concerns through what replaces the MSI, as well as through what the two governments deem to be other appropriate municipal financing options.

- Brownfield redevelopment has become an increasingly important issue as The City considers opportunities to utilize brownfield sites that have been left abandoned, vacant, derelict or underutilized. The City of Calgary participated in the Brownfield Redevelopment Working Group in 2011 and 2012, and contributed to recommendations submitted to the Government of Alberta in spring of 2012. The City of Calgary recommended that the province move forward on these recommendations.
- The City of Calgary is a strong proponent of regional planning and has supported the province's efforts to reintroduce regional planning in Alberta. Specifically, The City recommended timely approval of the Calgary Metropolitan Plan and the advancement of regional planning initiatives including the South Saskatchewan Regional Plan.
- Oil and gas exploration within municipal boundaries has also become an increasingly important issue for The City of Calgary. It was recommended that the Government of Alberta work with The City of Calgary in developing legislative solutions to ensure that The City is able to have meaningful input into decisions related to oil and gas development within its boundaries.
- It was expected that Alberta's Social Policy Framework would be released in spring 2013, and The City requested the opportunity to provide input around the roles, responsibilities and expectations of the various stakeholders under the Framework.

The 2013 budget recommendations strategically aligned with Council's Fiscal Plan for Calgary: "Changing the rules of the game to ensure better financial capacity: *Advocate aggressively for a new relationship between The City and the province, including a potential city charter and the reduction of our reliance on the property tax.*" The focus of the policy recommendations was to reiterate that it was critical for our two governments to continue to work together on key municipal priorities that maintain a high quality of life while engaging in discussions about building a new relationship.

Analysis of 2013-14 Provincial Budget

The Government of Alberta released its 2013-14 budget on 2013 March 7. Administration undertook an analysis of the budget and found that, overall, funding for key programs of interest to The City were similar to the 2012-13 levels. This was of concern particularly given that funding allocations are not keeping pace with population growth and the cost of providing services to meet citizens' needs.

Although the Government of Alberta indicated that it remained committed to environmental and energy related initiatives, there was no specific mention of an urban energy policy, brownfield

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redevelopment or waste management. Environmental highlights included initiatives to make Alberta the national leader in energy efficiency and sustainability, implementing the Responsible Energy Development Act and completing the Alberta Wetland Policy.

In relation to regional planning, although there was no mention of the Calgary Metropolitan Plan, the province announced its intention of approving one regional plan per year over the next three budget cycles. Administration anticipated the approval of the South Saskatchewan Regional Plan within this timeframe.

After having been actively engaged on this issue, The City was pleased that a program to provide stable funding for 9-1-1 call centres was announced in January 2013. The program will be funded by a new provincial levy and will be implemented through 2013-14. If the funding is distributed on a per capita basis, it is anticipated that The City of Calgary will receive about \$2.64 million in 2013-14 and \$5-6 million by 2015-16.

Launched on 2013 February 28, the Social Policy Framework (SPF) calls for a comprehensive, integrated and preventive approach to the resolution of complex social issues. The City is generally pleased with the SPF's core tenets; however, The City identified concerns related to a potential transfer of responsibility for social programs without related funding or authority. As well, there are concerns related to the lack of implementation timelines, accountability targets and reports back to stakeholders. Budget 2013-14 provided no further insight into how the SPF would affect funding and programs.

The budget held the line on Family and Community Support Services (FCSS) funding through to 2016, resulting in less than a 1% increase for the years 2009-2016. The effects of the flat FCSS budget were compounded by a significant decrease in income support rates and no provision for cost of living increases for Assured Income for the Severely Handicapped (AISH) recipients.

The provincial government continued to move away from funding for new affordable housing to improving and replacing existing units. Funding for rent supplements decreased by more than 10%. Support for emergency and transitional support for the homeless was marginally increased.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Developments following the 2014-15 Provincial Budget

By far, the most significant development following the 2013-14 provincial budget release was the extensive flooding that impacted Southern Alberta, the most costly insured natural disaster in Canadian history.

The Government of Alberta has not yet released a forecast of the effects the flood may have on its 2014-15 provincial budget; however, the province has indicated that reconstruction costs will be shared by governments, insurance companies, and affected businesses and households. While the province expects that most spending on relief efforts will take place in 2013, it has indicated that capital expenditures will extend into 2014 and beyond. The province is estimating

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the cost of flood damage at \$6 billion, which includes insured costs estimated by the Insurance Bureau of Canada at \$1.7 billion. Flood damage estimates continue to increase as municipalities, homeowners, businesses and non-profit organizations continue to submit claims to the provincial Disaster Recovery Program. The City is and will continue applying for flood response, recovery and mitigation funding from the provincial government.

Although the City Charters discussions between the Government of Alberta and the Cities of Calgary and Edmonton were put on hold following the flood, the Premier indicated that talks would resume after the cities' newly elected officials had time to be briefed. Earlier in 2013, the Cities of Calgary and Edmonton and the province held discussions on a framework agreement which would identify the components of a new relationship, anticipating a formal sign-off in 2013. This agreement would set out the parameters for the detailed work that the parties would undertake in the next few years.

Progress was also made on the *Municipal Government Act* (MGA) Review. The pre-consultation phase of the MGA Review, led by Municipal Affairs, began in April 2013 with a series of meetings with the MGA Review Advisory Committee, comprised of stakeholders from across the province, including the City of Calgary. To help shape the official consultation engagement approach, members of the Advisory Committee were asked to review and comment on three rounds of discussion papers on the themes of governance, tax and assessment and planning and development. Administration consulted with Council and subject matter experts from across the Corporation to develop The City's response. Administration will continue to actively participate in the MGA Review consultation process, including coordinating Corporate participation in online surveys and in public consultations scheduled for Calgary from April 9 to 11, 2014. Administration anticipates providing an update to the IGA Committee in March 2014, when further details are available from the province.

The resumption of the legislative assembly on October 28 saw a flurry of activity, with several significant bills being fast-tracked through the legislature and major policies being released.

- Fulfilling their commitment to approve one regional plan a year, the province released the Draft South Saskatchewan Regional Plan (SSRP) in October. Public consultations requesting feedback on the Draft SSRP are being held in numerous locations, and Administration is participating and preparing a written submission. The Draft SSRP supports and encourages voluntary municipal partnerships, specifically referencing the Calgary Regional Partnership (CRP) as an example of such collaboration. Although the Draft SSRP reinforced the importance of the participation of all municipalities in the CRP, it was silent on process.
- In addition to the Draft SSRP, The Government of Alberta released its long awaited Wetland Policy in 2013 September. Administration is currently pursuing opportunities to participate in areas of impact for The City.
- New legislation included Bill 28: Modernizing Regional Governance Act, to address legislating the Capital Region Board and to enable the creation of other growth

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management boards in Alberta. In introducing the Bill in the Legislature, the Minister said these amendments to the MGA would result in a more proactive approach to managing development in high-growth areas of the province. However, the Minister put the Bill on hold after municipalities, regional partnerships and municipal associations expressed serious concerns regarding components of the legislation. In October, the province began consulting with these stakeholders on potential changes to the legislation.

- The province also introduced Bill 31: Protecting Alberta's Environment Act. Bill 31 creates the new Alberta Environmental Monitoring, Evaluation and Reporting Agency (AEMERA), responsible for province-wide environmental monitoring, evaluation, and reporting as land use plans are implemented. AEMERA is expected to start operating in early 2014. The Bill is being analyzed for impact on The City.
- In 2013, the provincial government also announced several initiatives stemming from the Social Policy Framework. *The Children First Act* requires a review of all policy, programs and legislation affecting children and allows for the development of a children's charter. The City of Calgary is generally in favour of the Act but has concerns that the Act does not address pressing issues of child poverty, which the province committed to eliminating in five years. In alignment with the SPF, the province introduced legislation that will create Family and Community Engagement Councils. If passed, these local councils will replace Child and Family Service Authorities (CFSA) and Persons with Developmental Disabilities (PDD) boards. Administration continues to monitor the implementation of the SPF and provide input where opportunities exist.

Proposed Recommendations for The City's Submission to the 2013-14 Provincial Budget

Despite the significant financial costs presented by the 2013 flood and potential longer term repercussions, economic indicators for Alberta and Calgary project that Alberta, and particularly Calgary, will again be a leader in economic activity in the country over the long term. However, given flood-related investments, low resource prices, the province's stated desire for a balanced budget and pressure to hold the line on taxes, Administration suggests primarily focusing The City's submission on key policy areas that will ultimately advance Calgary's fiscal position and quality of life for its citizens.

1. New Legislative and Fiscal Framework:

Through the spring of 2013 the Government of Alberta and the Cities of Calgary and Edmonton engaged in fruitful discussions towards the development of a Framework Agreement on the city charter components. The Framework Agreement would identify components of a new relationship and would set out the parameters for the detailed work that the Government of Alberta and the Cities of Calgary and Edmonton would undertake to develop city charters in the months ahead. A formal sign-off of the Framework Agreement was anticipated to occur in the summer. However, these discussions were put on hold due to the flood.

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Following the municipal elections the Premier met with the Mayors of Calgary and Edmonton and indicated that discussions would resume after the newly elected officials were briefed on the subject. The budget submission could reinforce the importance of the completion and signing of the Framework Agreement and the resumption of discussions on the development of the city charters, which will allow the Cities of Calgary and Edmonton to work with the Government of Alberta in a more effective way to provide the best possible services to our citizens.

2. Advancing Key Policy and Program Initiatives:

There are a number of initiatives affecting municipalities that are currently under consideration by the provincial government to which The City is seeking resolution. Administration proposes that the submission make reference to these key initiatives and suggests that advancements in these areas would speak to the spirit of the new relationship being pursued through a new legislative framework. It is proposed that the following initiatives be referenced in the submission:

A. Municipal Sustainability Initiative Funding:

It is uncertain whether the province will be in a financial position in its 2014-15 budget to consider what will replace the MSI capital funding when the program concludes in 2016, given the extent of disaster recovery funding being provided to Calgary and other municipalities. However, in the long term, The City has a strong interest in predictable sources of funding. It would be reasonable to recommend that the province work with The City to address long term infrastructure funding, as well as other appropriate municipal financing options.

B. Regional Planning:

The City has a strong interest in seeing regional issues addressed, particularly as they relate to the Calgary Metropolitan Plan (CMP), and is pleased to see the CMP referenced in the Draft South Saskatchewan Regional Plan (SSRP). The City is actively participating in public consultations for the Draft SSRP and will continue to advocate for the CMP. Expressing support for legislating the CMP in the submission will serve to demonstrate to the provincial government the critical importance of regional planning to The City. However, the extent of support expressed may be contingent on the final form of Bill 28.

C. Oil and Gas Exploration within Municipal Boundaries:

An increasingly important issue for The City relates to oil and gas development within municipal boundaries and the lack of opportunity for input into these developments, despite the potential impact on municipal planning and emergency response. The City has expressed support for Motion 509, put forth by MLA Sandra Jansen, to establish a working group to review whether adequate policies are in place for urban communities in regard to oil and gas development. The submission could reiterate The City's support for a working group and the request for the opportunity to participate directly through any other means.

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D. Brownfield Redevelopment:

The City participated in the Brownfield Redevelopment Working Group, tasked with making recommendations to the Ministers of Municipal Affairs and Environment and Sustainable Resource Development for a new provincial brownfield redevelopment strategy. In 2012 April the report was submitted to the Minister, but the Working Group has not yet received a response. The submission could ask the provincial government to address the recommendations in the report and move forward with the provincial strategy.

E. Poverty Reduction:

The Government of Alberta has signalled its intent to address the issue of poverty through its Provincial Poverty Reduction Strategy. Such a strategy will be especially important for those vulnerable Albertans affected by the recent floods, as well as for building resilience among families and communities against future disruptive events. The Calgary Poverty Reduction Initiative (CPRI) and the Provincial Poverty Reduction Strategy align in many key areas, and this presents important opportunities to move forward on poverty reduction in a coordinated and effective manner.

The submission could request support in three areas that would assist the CPRI in accomplishing the goals outline in the Final Report of the Calgary Poverty Reduction Initiative: fully funding the forthcoming Provincial Poverty Reduction Strategy and extend funding to municipalities to implement local poverty reduction strategies as a component of a provincial strategy; undertake meaningful reform of provincial social assistance programs; and, actively engage with the City of Calgary in the development of the Alberta Supports Initiative.

F. Affordable Housing:

While housing remains a provincial responsibility, the province's investment in affordable housing initiatives has been steadily decreasing over the last several years. The City of Calgary continues to advocate for a stable and flexible funding source for affordable housing and for the province to create incentives that encourage private sector organizations to enter the affordable housing market.

Addressing the affordable housing needs of Calgarians remains a key priority for The City of Calgary, and Administration has been directed to renew its existing Corporate Affordable Housing Strategy. The submission could reiterate to the province the importance for our two governments to work collaboratively to seek solutions in addressing affordable housing needs.

Stakeholder Engagement, Research and Communication

The proposed recommendations for the Government of Alberta's 2014-15 budget submission have been developed in consideration of Council's direction to advocate for a new relationship between The City and the province. In determining the appropriate recommendations, Administration's analysis has included the provincial government's 2013-14 budget and policy priorities, the evolving fiscal reality presented by the 2013 flood, and inputs from business units

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on advocacy efforts that have been undertaken with the provincial government over the past year.

Strategic Alignment

Focusing the budget submission on the key areas identified in this report continues to support Council's Fiscal Plan for Calgary and meets the commitment in the Memorandum of Understanding agreed to by The City of Calgary, the City of Edmonton and the Government of Alberta.

Social, Environmental, Economic (External)

The intent of this submission is to continue to build on the momentum of the Memorandum of Understanding aimed at drafting a new financial and legislative framework for The City. This new framework is expected to positively impact The City's social, environmental and economic policies.

Financial Capacity

Current and Future Operating Budget:

There is no impact on the current operating budget to prepare this submission. However, if successful, this submission will set the stage for finalizing new financial and legislative frameworks and advancing key policy initiatives between The City and the province that could subsequently have a positive impact on future operating budgets.

Current and Future Capital Budget:

The purpose of the submission is to influence the provincial government's decision-making during its 2014-15 business planning and budget process. If this work results in achieving a commitment from the provincial government to work with The City in finalizing new financial and legislative frameworks, this could positively affect future capital budgets.

Risk Assessment

The risks of not providing recommendations to the Government of Alberta for its budget is that an opportunity to advocate for the interests of Calgarians would be missed, and the province may be unaware of the provincial legislation, regulations, policies and investments that are of importance to The City.

REASON(S) FOR RECOMMENDATION(S):

Submissions to the Government of Alberta's business planning and budget process are used as one means to advocate The City's needs to the provincial government. Strategically aligning this year's submission with Council's direction to advocate for a new relationship will build on the momentum to finalize financial and legislative frameworks that meet the needs of the citizens of Calgary.

ATTACHMENT(S)

None.