

MUNICIPAL SUSTAINABILITY INITIATIVE RECOMMENDATIONS

**PREPARED BY:
ALBERTA ASSOCIATION OF MUNICIPAL
DISTRICTS & COUNTIES**

August 30, 2007

BACKGROUND

The 2007 provincial budget provides Alberta municipalities with an unprecedented \$400 million investment through the Municipal Sustainability Initiative (MSI). By 2010-11, \$1.4 billion will be provided to municipalities to assist them in achieving sustainability.

The AAMDC strongly endorses the vision of the Government of Alberta (GOA) to invest in Alberta municipalities. The pressures created from the phenomenal economic growth in Alberta over the past few years have been well documented and are recognized by all government partners. We applaud the GOA for the creation of the MSI and feel that with some refinement of the allocation methodology, this program will help municipalities manage growth pressures, deal with a backlog of capital projects, and address the increasing cost of providing quality municipal services to Albertans.

The principles and recommendations outlined below are based on AAMDC member input. The findings from a variety of forums were considered. These include:

- The **Rural Transportation Funding Options** (RTFO) report where the principle of grant allocation based on need was accepted.
- The input session held by the **Alberta Rural Municipal Administrator's Association** at the Society of Local Government Managers' conference.
- The eight consultation sessions held by **Alberta Municipal Affairs and Housing**.

KEY PRINCIPLES

The AAMDC recommends that the MSI be based on the following principles:

1. Complementary – MSI funding should not replace existing grant programs. Alberta municipalities' increasing costs of providing quality services and the infrastructure deficit are well-documented. The goal of sustainability cannot be achieved without eliminating these shortfalls. Therefore, the MSI should provide a new source of funding to complement existing permanent programs.

2. Need – MSI funding should address areas of necessity. MSI funding must aid all Alberta municipalities but should be particularly focused to areas where the greatest overall good can be derived. Thus, allocation should be based on a model that contains a measure of necessity.

3. Inclusiveness – MSI funding should provide all municipalities with a minimum amount of funding. MSI funding must provide a base amount of funding to all Alberta municipalities, such that each municipality is provided with enough funding to carry out at least one of its priority projects.

4. Autonomous – MSI funding should enable municipalities to meet their priorities. Municipalities are in the best position to determine where funds should be allocated. It is important to allow municipalities the ability to determine how the greatest overall benefit for the municipality can be derived. Municipal autonomy is fundamental to the *Municipal Government Act*.

5. Flexible – Timeframes and envelopes should complement existing long-term plans. Municipalities have the best understanding of the local construction market conditions and their long-term capital plans. Program timelines must allow municipalities to spend these funds as best meets their plan. Further, movement of allotments among the various funding components will ensure investment is best directed toward local priorities.

6. Simple – Program simplicity increases the value of funding. Tight restrictions on fund use and detailed reporting can all impact the value that municipalities are able to derive from the MSI funding. While the Association understands that accountability is paramount, there is concern with the impacts of

Municipal Sustainability Initiative Recommendations

overly onerous conditions and reporting requirements. Meeting the conditions and reporting requirements must balance administrative time with accountability.

RECOMMENDATIONS

As stated, the AAMDC believes that the MSI is a strong commitment from the GOA to adequately address local priorities in Alberta municipalities. We further believe that the following recommendations will enhance the MSI and overall municipal sustainability. It is important that the MSI be balanced and benefit all Alberta municipalities.

Immediately

1. Confirm the continuation of other existing programs. The GOA should confirm that the funding provided under the MSI will not replace the grants under permanent programs that currently support member operations. These include the Rural Transportation Grant, the Local Road Bridge Program, Resource Road Program, etc. Furthermore, the ten-year MSI commitment should be confirmed. This will provide municipalities with a source of predictable, sustainable funding and will enable long-term planning.

2. Work with other GOA departments to ensure compatibility with other programs. Municipal Affairs and Housing should work with other GOA departments that provide grants to municipalities to ensure the MSI is complementary to existing programs. To maximize the benefit of funding received and meet their long-term priorities, municipalities must be able to decide where to use their funding dollars. To provide this flexibility, municipalities should be allowed to stack MSI funding with funding from other grant programs.

MSI Funding Years Two and Beyond

1. Allow the transfer of funding among components. Good municipal governance requires good project inventory and planning processes. These have been or are in the process of being incorporated across the province. *Municipalities must be able to use their MSI funding to address their priorities identified through their long-term planning processes.* As such, a municipality should be able to transfer their allocated MSI funds between funding components if one component is not needed. Allowances should also exist for the banking of funds from one fiscal year to the next to ensure that large scale initiatives are available to smaller municipalities (i.e. using year one and two funds in the second year of the program).

2. Recognize existing co-operation. Within the MSI several funding components require inter-municipal co-operation. Many municipalities throughout Alberta already exhibit municipal co-operation. *Flexibility of the MSI must be ensured to recognize and fund projects and agreements of these existing partnerships.* Requirements for proof of collaboration should be met through a letter from each respective Council.

3. Allow use of 'own-forces'. Capital construction costs as well as the availability of contractors can vary greatly across the province. Municipalities know their local market and must be able to determine how to get the best value for their funding. *The decision to use contractors or 'own-forces' (transportation equipment and staff) or a combination should be left to the municipality.* The use of 'own-forces' should also be allowed as a financial contribution to meet inter-municipal co-operation requirements.

4. Use existing program procedures and reporting tools to enhance program efficiency. Members are familiar with the agreements, approvals and reporting introduced under the Alberta Municipal Infrastructure Program (AMIP) and the Municipal Sponsorship Program (MSP). *The procedures established under AMIP should be used for capital reporting while the procedures under MSP should be used for operating reporting.*

5. Reallocate affordable housing funds. *Affordable housing should not be funded through the MSI. The \$100 million allocated to affordable housing should be redistributed to municipalities with no conditions in the following manner:*

- Base funding - \$31 million

A base of \$100,000 per municipality excluding summer villages should be provided. Summer villages should receive a base of \$25,000 each. A \$100,000 base as well as a lower amount for summer villages is similar to AMIP. This supports AAMDC's key principle of inclusiveness by providing sufficient funding for at least one priority project.

- Sustainable Investment Fund – \$20 million

This would increase funding from \$12 million to \$32 million. This assists municipalities with limited financial resources. By providing targeted municipalities with additional funds, they can deal with priority spending pressures and work towards long-term sustainability. This increased, unconditional Sustainable Investment Fund would meet AAMDC's efforts to establish a permanent Targeted Investment Program.

- Emergent issues funding - \$40 million

This would assist municipalities with extenuating circumstances resulting from challenges such as extreme population growth and/or adverse impact due to industry. As application based funding, this would enable the Minister to address such issues. Municipal Affairs and Housing should work with AUMA and AAMDC to establish criteria to evaluate the applications.

- Operating Funding for Planning Activities and Joint Services and Administration - \$5 million

This would increase this funding component from \$32 million to \$37 million. Building planning capacity within municipalities is important. This will support effective planning between municipalities.

The impact of our proposed recommendation is shown in Table 1.

6. Reflect the cost of operation when allocating MSI funds between urban and rural municipalities.

The split of MSI funding among urban and rural municipalities must consider the fixed cost to operate. In year one of the MSI, rural municipalities¹ receive 23.2% of the total funding. This does not reflect the funding needs of rural municipalities.

In densely populated municipalities (urban municipalities), population can be used to indicate need. The provision of services such as recreation and social programming increase and decrease with population. However, for municipalities with high geographic dispersion (rural municipalities), the majority of municipal funding is spent on providing infrastructure such as roads and bridges not services. Rural municipalities are responsible for 91 per cent of municipal bridge structures and 85 per cent of municipal roads. This is nearly 10,000 bridges and culverts and over 130,000 kilometers of road.

Infrastructure is not population driven and does not decrease as the population decreases. Thus, while the current portion of MSI funding for rural municipalities is slightly greater than the total rural population in Alberta, it is significantly less than the cost of the total infrastructure rural municipalities are responsible for.

AAMDC recommends the portion of the MSI that is allocated by formula (entitled funding) be split between urban and rural municipalities. To reflect the funding needs of urban and rural municipalities, we recommend a split of 70 per cent (urban) / 30 per cent (rural).

7. Allocate MSI funds by need. Once the split of MSI funds is determined among urban and rural municipalities, the distribution to individual municipalities should be done equitably. To account for the varying situations across municipalities different formulas should be used among urban and rural

¹ Rural municipalities include municipal districts, counties, special areas and the specialized municipalities of Jasper, Mackenzie County, Regional Municipality of Wood Buffalo and Strathcona County.

municipalities. *For urban municipalities AUMA's recommended factor of population could be used. For rural municipalities the higher of per capita or kilometers of road should be used.*

The impact of our proposed recommendation is shown in Table 1.

8. Preserve the value of MSI funding. Upon full implementation of the MSI in 2010-11, a review of the funding should be conducted *to ensure the buying power of the grant dollars for the remaining six years are maintained.* Based upon the results of the review, increases to account for inflation may be needed. This is critical to ensuring the goals of the MSI are met.

Municipal Sustainability Beyond MSI

1. Determine municipal funding needs. While it is well accepted that municipalities have a significant infrastructure deficit its true magnitude has not been quantified. *It is critical that the overall infrastructure deficit be calculated.* As well, all funding provided to municipalities must be reviewed to determine if it is sufficient to address this infrastructure deficit.

2. Clarify responsibilities and funding for affordable housing. The GOA has committed to further consultation by 2008 to determine the roles and responsibilities between the Province and municipalities for affordable housing. *The resources needed to provide affordable housing must also be determined and appropriate funding allocated outside of the MSI.*

Table 1 – Comparison of AAMDC and AUMA Recommended Allocation Formulas

Type of Municipality	#	AMAH 2007-08 MSI Funding (Year 1)		2008-09 AAMDC Recommendation		2008-09 AUMA Recommendation		2009-10 AAMDC Recommendation		2009-10 AUMA Recommendation		2010-11 AAMDC Recommendation	
		\$	%										
City	16	247,690,759	66.1%	228,165,181	50.8%	255,446,344	51.1%	288,054,467	52.4%	312,994,133	52.2%	744,820,099	55.2%
Town	111	34,904,739	9.3%	66,890,905	14.9%	100,584,920	20.1%	78,263,540	14.3%	118,467,751	19.7%	165,000,742	12.2%
Village	100	3,662,630	1.0%	17,265,123	3.8%	43,480,770	8.7%	18,342,050	3.3%	48,837,702	8.1%	26,563,461	2.0%
Summer Village	51	1,026,335	0.3%	1,827,794	0.4%	21,842,830	4.4%	1,941,518	0.4%	26,535,200	4.4%	2,817,339	0.2%
Municipal District	63	68,105,701	18.2%	110,010,212	24.5%	73,915,677	14.8%	131,727,687	24.0%	87,858,682	14.6%	332,139,338	24.6%
Improvement District	6	643,047	0.2%	951,415	0.2%	1,909,955	0.4%	1,022,162	0.2%	2,071,925	0.3%	1,561,737	0.1%
Special Area	1	2,577,641	0.7%	4,401,865	1.0%	211,781	0.0%	5,370,439	1.0%	214,468	0.0%	14,549,677	1.1%
Specialized Municipality	4	16,022,979	4.3%	19,671,084	4.4%	2,569,538	0.5%	24,478,137	4.5%	2,973,242	0.5%	61,662,987	4.6%
Total Entitled Funding*	352	374,633,831	100.0%	449,183,578	100.0%	499,961,814	100.0%	549,200,000	100.0%	599,953,103	100.0%	1,349,115,378	100.0%
Total Rural** Funding		86,706,321	23.20%	134,083,161	29.90%	76,696,995	15.30%	161,576,263	29.50%	91,046,392	15.10%	408,352,001	30.30%
Project Based Funding***		25,366,169		50,816,422		0		50,800,000		0		50,884,622	

* Total Entitled Funding - This funding is allocated by predefined formulas.

** Rural - Municipal Districts, Special Areas and Specialized Municipalities are included.

***Project Based Funding - This funding is application based and has not yet been allocated.