



Edmonton/Calgary Joint Submission Executive Summary

Edmonton and Calgary are home to more than half of all Albertans. These two centres of commerce, culture, innovation, learning and technology play a fundamental role in Alberta's social and economic structure. There is no question that the future of all Alberta is powerfully linked to the futures of Calgary and Edmonton. For these reasons, the future of Calgary and Edmonton needs to be an integral part of the discussions and outcomes of the Alberta Future Summit 2002.

Today, Calgary and Edmonton are amongst the most competitive cities in the world. However service demands in these two cities are growing faster than traditional sources of revenue. Based on current trends and estimates, municipal service levels and infrastructure in these two cities will erode significantly over the next ten years and much of the Alberta Advantage will be lost.

Both cities have emphasized the need to redefine their relationship with the provincial government and have cited downloading, grant reductions and a lack of consultation as main pressure points in the current provincial-municipal relationship. Each has determined that current program, service and taxation levels are not sustainable without fundamental changes to how they are operated and financed.

The future is now. It is time to fundamentally change the relationship that exists between the provincial government and Alberta's two largest cities. Calgary and Edmonton require the support of the province and appropriate legislative and fiscal powers to ensure that they can provide programs and services to their citizens on a sustainable basis. Without this capacity, it will be impossible for the two major cities to compete globally or enhance the Alberta Advantage.

Recommendations

1. That the Alberta Growth Summit 2002 recognize (as one of its fundamental principles for future growth) that the success of all Alberta is tied to the success, competitiveness and sustainability of Alberta's two "big cities" – Calgary and Edmonton.

2. That the Growth Summit 2002 Final Report establish, as one of its top priorities, the need for the Government of Alberta, the City of Edmonton, and the City of Calgary to work together in new and innovative ways to ensure Edmonton and Calgary's future competitiveness and sustainability.
3. That the Government of Alberta develop a vision and strategy for its major cities that is fully integrated in its fiscal and business plans and performance measurement system.
4. That the Government of Alberta establish a municipal sustainability index designed to monitor municipalities' capabilities to fulfil their mandates.
5. That the Government of Alberta include within its business plans, cross-departmental initiatives aimed at improving the provincial municipal relationships, especially as they relate to Calgary and Edmonton.
6. That the Government of Alberta substantially increase Calgary and Edmonton's fiscal capacities to ensure that they can accommodate growth and enhance the Alberta Advantage. (This Initiative would include changes to current revenue-sharing and tax sharing arrangements.)
7. That the Government of Alberta recognize the critical role Calgary and Edmonton play in establishing and maintaining programs to assist disadvantaged Albertans and that policies be adopted that ensure these two cities have the resources and authority to match the responsibilities for social service programs.
8. That the Government of Alberta establish a long term, predictable infrastructure program aimed at both transportation and non-transportation physical infrastructure.
9. That the Government of Alberta develop new incentives to promote regional cooperation.

Signed by:

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The Alberta Future Summit:

Joint Submission of the

City of Calgary

and the

City of Edmonton

**Nichols Applied Management
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1. OVERVIEW

1.1 The urbanization of Alberta

While achieving significant milestones usually evokes a great deal of attention, the achievement of others may slip by unnoticed. The significance of these “quiet milestones” is often not immediately appreciated, especially when they begin to challenge our traditional way of thinking. This is true of the growth in population of the province and, in particular, the cities of Calgary and Edmonton.

Alberta is now home to over three million people. The Calgary region is now over one million people! The Edmonton region will expand to over one million people within the next five years!

Even though we are cognizant of the province’s history of economic development and its attractiveness as a place to live and work, we have only recently begun to realize the significance of the growth of our population. Our images of the provincial landscape, economy and history have just begun to change.

- We now include in our sense of landscape not only mountains, forests and farmland but also cities, transportation systems and urban infrastructure.
- We have started to appreciate that while the provincial economy continues to be resource-based; it now includes significant manufacturing, technology, communications and biomedical sectors.
- We continue to be proud of our rural roots, but are excited about our cities’ burgeoning significance within Canada and around the world.

Alberta has become a highly urbanized province. More than ninety percent of the increase in its population over the past thirty years has occurred within its urban areas. The cities of Calgary and Edmonton, their regional neighbors and the corridor between the two cities have accounted for the vast majority of this growth. The population of the two major metropolitan areas has more than doubled over the last four decades. Today, over half of the total population of Alberta resides within the cities of Calgary and Edmonton. Almost two-thirds of Albertans live in the metropolitan regions of the two cities. Statistics Canada projections of population growth indicate that these percentages will increase slightly in the future. Alberta will experience moderate population growth distributed proportionately between the Calgary and Edmonton regions and the rest of the province.

1.2 Big cites, big challenges

To accommodate growth, municipalities need to make significant investments in civic infrastructure and expand programs to provide services to new people. Larger cities must provide unique programs and services to meet the needs of their citizens. They require the appropriate legislative and fiscal resources to meet their unique roles and responsibilities. However, in most cases, the growth of cities has occurred without the commensurate expansion of legislative powers and financial resources.

Calgary and Edmonton have identified a number of challenges to their respective capacities to fulfil their mandates and to meet the demands of their citizens. Both cities are experiencing significant financial pressures and have emphasized the need to redefine the relationship that exists between themselves and the provincial government. They have both cited downloading, grant reductions and a lack of consultation as critical pressure points in the provincial-municipal relationship. Each has determined that current program, service and taxation levels are not sustainable without implementing fundamental changes to how they are operated and financed.

The two cities and the surrounding regions play a fundamental role in the social and economic structure of the province. Their economic significance will expand as the world economy becomes more knowledge-based and focused on global competition between city-regions. Their future is critical not only to the two million Albertans who live in them, but also to the rest of the province. The future of Calgary and Edmonton is an integral part of the Future Summit as their future is linked to the future of the entire province.

1.3 Now is the time to plan for the future

There has never been a more important time to plan for the future. The tragic events of this past September have reminded us all of the importance of not taking our prosperity for granted; the need to work together, and the need to ensure that everyone has an opportunity to share in the wealth of our society.

Calgary and Edmonton are supportive of the Future Summit and applaud the government's foresight in convening it. They share the province's commitment to long-term planning, multi-year goal setting and ongoing measurement. The two cities look forward to working with the government and stakeholders from all over the province "to help set strategic direction for a debt-free Alberta".

Calgary and Edmonton emphasize that they and the provincial government have a:

- mutual interest in establishing sound economic, environmental and fiscal directions for the future;
 - shared responsibility for ensuring that all Albertans have access to high quality programs and services, and
 - joint obligation to work together, along with the federal government and other Alberta municipalities, to develop new, more effective working relationships among governments.
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1.4 The two cities are working together

While Calgary and Edmonton have long shared a friendly sense of rivalry and healthy competition, they recognize that they face similar issues and challenges. Over the past year, the two cities have worked closely to develop common approaches to common issues. Both have identified the need to redefine the relationship that exists between themselves and the provincial government and have agreed to work together on an opportunity basis toward this end. Calgary and Edmonton also individually face challenges that are unique to their circumstances and require special planning and specific solutions. Each of the cities will also raise these issues during the course of the Future Summit.

1.5 A call for a new deal

This submission highlights themes for consideration at the Future Summit and calls upon the provincial government to set the direction for the development of a new deal between the province and the cities of Calgary and Edmonton. This recommendation is based on the fact that large cities are the focal point of the global economy and require the legislative and fiscal powers to ensure that they are competitive. The development of a new, unique relationship between the two cities and the province will enhance the Alberta Advantage and enable Calgary and Edmonton to take full responsibility and accountability for providing programs and services to their citizens on a sustainable basis.

Key ingredients in the new deal include:

- Expanded legislative and fiscal powers for the cities;
- Linkages between the province's and the cities' goals and objectives; programs and services, and performance measurement processes, and

- Enhanced incentives for regional cooperation.

The province and the two cities should also work together to promote a greater role for the federal government in financing urban infrastructure and services.

2. KEY THEMES

There are four key themes that the cities of Calgary and Edmonton wish to make at the Future Summit:

- The cities and the province need to work together to accomplish mutual goals and objectives.
 - The cities have much to be proud of, but cannot afford to be complacent in planning for the future.
 - The cities need the appropriate legislative and fiscal resources to fulfil their roles and responsibilities.
 - Alberta has an opportunity to lead the nation in developing provincial-municipal relationships.
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2.1 Working together

Calgary and Edmonton and the province of Alberta serve the same citizens and establish similar goals and objectives. Their respective capacities to achieve these goals and objectives must be based on mutual reliance to each other. Ongoing results oriented consultation between the cities and the provincial government is of paramount importance.

The Alberta Advantage has become a “trademark” which promotes the province as an outstanding place to live, work and do business. It is founded on balanced budgets, low taxes, affordable spending plans, a diversified economy and a high quality of life.

The provincial government should be acknowledged for developing the fiscal and business plans that support the Alberta Advantage. At the same time, the integral role Calgary and Edmonton play in supporting the Alberta Advantage needs to be recognized.

A comparison of the fiscal and business plans of the two cities and the provincial government clearly illustrates that the strategies and objectives of the cities and the province are complementary and very supportive of the Alberta Advantage.

The two cities support the fiscal objectives of the province by:

- **Holding the line on expenditures and taxation.** Comparisons of municipal property tax burdens across the country reveal that Calgary and Edmonton are very competitive. Total 2001 property taxes per capita in Edmonton and Calgary rank seventh and eighth lowest of eighteen cities surveyed and, notably, lowest of all Canadian cities with populations of over 250,000. Total 2001 property taxes in Edmonton and Calgary are well below the national average; Edmonton's total is approximately 80% of the national average while Calgary's is 75% of the national average.
- **Eliminating debt.** Both cities have implemented long-term debt management programs aimed at the elimination of debt. Edmonton's Debt Management Fiscal Plan will eliminate tax-supported debt by 2004. Even with the challenge to finance significant growth-related infrastructure projects over the past several years, Calgary is consistently reducing its tax-supported debt. Over the past fifteen years, Calgary has cut its tax-supported debt in half.
- **Providing quality Infrastructure.** Both cities have made multi-billion dollar investments in the civic infrastructure necessary to provide the foundation for economic development in the province. However, it should be emphasized that financing the development of new infrastructure to accommodate growth and the rehabilitation of existing infrastructure is a significant issue for Calgary and Edmonton.
- **Meeting the needs of citizens.** Like the provincial government, both cities maintain ongoing performance measurement and reporting systems. Citizen satisfaction surveys conducted in each city in 2001 reveal that citizens in both communities (94% in Calgary and 90% in Edmonton) believe they receive positive value for their tax dollars.
- **Providing services that ensure a high quality of life in the province.** Both cities provide a safe and efficient supply of water; sanitary sewage collection and treatment; state-of-the-art solid waste management, and best-practice protective and community services.

The two cities also contribute directly to the province's business plan (People, Prosperity and Places) by:

- **Playing a significant role in the provision of services aimed at children, seniors and people in need.** By virtue of their size and the availability of various income and support programs. Calgary and Edmonton are home to a disproportionate number of people in need. Both cities have become heavily involved in social housing and homelessness, urban aboriginal support, child poverty and nutrition, etc. programs.
- **Creating economic development opportunities.** Both cities work closely with the private sector to create a positive economic environment. Often in partnership with Alberta Economic Development, Promoting Calgary, Inc. and Economic Development Edmonton promote each city and region as an attractive business location. The two cities, with their regional partners (Calgary Regional Partnership and the Alberta Capital Region Alliance) have both recently adopted comprehensive economic development strategies. The C-Prosperity Strategy and the Greater Edmonton Competitiveness Strategy should make significant contributions to the provincial economy.
- **Providing public safety and environmental protection services.** Calgary and Edmonton have both implemented world-renowned community policing programs and sophisticated emergency response systems. Both have developed policies aimed at protecting natural resources and have received major awards for their efforts.

The provincial government needs to formally recognize and support the many ways in which Calgary and Edmonton support its goals and objectives.

2.2 No room for complacency

Calgary and Edmonton both pride themselves on being excellent places to live. Both are widely recognized for their outstanding quality of life and positive economic environments. Each consistently does well in national and international evaluations of good places to live and do business. Both are often referred to as leaders in the municipal sector and are cited for "best practice" service delivery. Taxation rates in the two cities compare very favorably with cities across the country.

One could conclude that the two cities are in fine shape and that their concerns should have a low priority at the Future Summit. Reaching this conclusion would be a profound error, similar to concluding that given its resource base, the Province of Alberta need not engage in future planning, program analysis or expenditure control.

Cities have become the focal points of global competition and economic development.

"Those of us who live in Edmonton and Calgary may think our city's virtues so obvious, and our province's wealth so enormous, that there is no need to worry. Complacency, however, isn't warranted. If Alberta is to have world-class cities, it needs the policies and public services that will help them flourish."

Edmonton Journal editorial,
8 January 2002

2.3 Linking resources to roles and responsibilities

The capacity of a city to deliver services and meet the needs of its citizens is a function of its legislative and fiscal powers.

While Calgary, Edmonton and the province contend with similar challenges and pursue common social, economic and environmental objectives, the two cities lack the province's wide legislative and fiscal capacity to respond. Despite having a shared responsibility for ensuring that all Albertans have access to high quality services and a joint obligation to work together, the cities just don't have the legislative standing or fiscal resources to match their roles and responsibilities.

Municipalities continue to be "creatures of the province". They lack the legislative power to fulfil their mandates. While this is an issue for all municipalities, it is critically important to Calgary and Edmonton as they have increasingly assumed responsibilities in areas where they have little or no jurisdiction. Major cities need the legislative capacity to conduct themselves as they see fit. They require the legislative standing to work as equitable partners with the provincial and federal governments. To succeed, they have to have the authority to raise funds and make decisions locally.

Currently, the two cities do not have access to sufficient, stable resources to sustain municipal services, accommodate growth and rehabilitate existing infrastructure. Edmonton has identified an “operating gap” (defined as operating requirements that the City cannot afford) of \$14 million in 2002, rising to \$46 million in 2004. Edmonton has also identified a \$101 million “infrastructure gap” (unfunded capital requirements) in 2002, rising to \$415 million in 2006. Calgary’s proposed 2002 Budget is based on an inflationary property tax increase, but does not include funding to service most costs associated with growth. The City also emphasizes that over \$250 million of capital projects associated primarily with infrastructure rehabilitation cannot be funded over the next five years. The two cities cannot continue to maintain services and accommodate the growth of their communities.

2.4 Taking the lead in developing new relationships

The review of municipal relationships with senior levels of government is a subject of debate around the world. It has been a primary focus in the United States since the economic downturn of the 1980’s compromised the viability of many major American cities. American and European cities have since developed strong financial relationships with their respective federal governments.

Although the federal government has recently shown some interest in the area, the debate in Canada has been focused primarily at the provincial-municipal level. Most provinces are currently involved in fundamental reviews of provincial-municipal relationships. Forced amalgamations, regionalization, revenue sharing and the determination of “who does what” have been the focus outside of Alberta. Attention to roles, responsibilities and resources and the creation of “made in Alberta” solutions have been the focus here.

The race to develop a new relationship between provinces and cities is important. Arguably, whoever gets it “right” first will gain an advantage over other cities in the global economic marketplace. The Future Summit affords Alberta the opportunity to move ahead on this front.

3. FUTURE SUMMIT RECOMMENDATIONS

The future is now. It is time to fundamentally change the relationship that exists between the provincial government and Alberta’s two largest cities. Calgary and Edmonton require the support of the province and the appropriate legislative and fiscal powers to ensure that they can take full responsibility and accountability for providing programs and services to their citizens on a sustainable basis. Without this capacity, it will be impossible for the two major cities to compete globally and to continue to enhance the Alberta Advantage.

The cities of Calgary and Edmonton recommend that Government of Alberta government set the direction to develop a new deal between the province and the two cities.

The new relationship should recognize that:

- **“Size matters”.** Calgary and Edmonton are two of the largest cities in the country and anchors for metropolitan regions that are home to almost two-thirds of all Albertans. They are the foundations for the important Calgary-Edmonton corridor. Their populations, employment bases and contributions to the provincial GDP are bigger by an order of magnitude than any other municipality in the province. The two cities serve as regional or provincial centres and provide services not required or available in other communities. They are home to a disproportionate number of disadvantaged people and are involved in many fields (social housing, homelessness, immigration, child poverty, urban aboriginals) that clearly distinguish them from other municipalities.
- **Large cities compete in a very competitive global economy.** Calgary and Edmonton and their regional partners must have the capacity to compete with large city-regions around the world.
- **The two cities currently lack the legislative and fiscal powers to ensure that they can fulfil their mandates on a sustainable basis.**
- **Calgary and Edmonton play an integral role in supporting the Alberta Advantage.**

Key ingredients in the new deal should include:

- Expanded legislative and fiscal powers for the cities;
- Linkages between the province’s and the cities’ accountability structures, and
- Enhanced incentives for regional cooperation.

3.1 Expanded legislative and fiscal powers

The key element for the two cities is a better matching of roles and responsibilities with resources. Both cities’ responsibilities have grown significantly; the problems they face are more complex and therefore expensive to resolve. Unfortunately, the legislative and financial resources available to the two cities to deal with these

responsibilities and problems have not changed significantly since the time that they were incorporated.

The new deal should substantially increase the fiscal capacities of the two cities to ensure that they can accommodate growth and enhance the Alberta Advantage. This initiative would include changes to current revenue-sharing and tax-sharing, including property taxes, arrangements. Its objective would be to establish for the cities of Calgary and Edmonton long-term, stable revenue sources that respond to economic growth.

A new relationship between the province and the two cities should recognize the critical role Calgary and Edmonton play in establishing and maintaining critical programs to assist disadvantaged Albertans. The two cities are home to a significant number of people who require assistance. Policies need to be put into place to ensure that the two cities have the resources and authority to match their responsibilities for social service programs.

The new deal should include the establishment of permanent infrastructure programs aimed at both transportation and non-transportation related physical infrastructure. Long-term, predictable infrastructure programs should be established to ensure that the two cities and their regions could accommodate growth on a sustainable basis.

The province and the two cities should also work together to promote a greater role for the federal government in financing urban infrastructure and services.

3.2 Common goals, linked efforts

The province has established a solid accountability structure through its fiscal and business plans and performance measurement processes. Unfortunately, this structure does not formally recognize the importance of the two major cities in maintaining the Alberta Advantage.

The provincial government should develop a vision and strategy for its major cities. This vision and strategy should be fully integrated into the provincial government's fiscal and business plans and performance measurement system.

The province should establish a municipal sustainability index designed to monitor municipalities' capacities to fulfil their mandates. This index should be incorporated into the province's performance measurement system.

The provincial government should include within its business plans cross-departmental initiatives aimed at improving the provincial-municipal relationships, especially as they relate to Calgary and Edmonton.

3.3 Incentives for regional cooperation

Calgary and Edmonton both work closely with their regional neighbors. The Calgary Regional Partnership and the Alberta Capital Region Alliance have been established to formalize regional cooperation. While each of these organizations receive support from the provincial government.

The new deal should include additional incentives to promote regional cooperation.