

Why should your Chamber of Commerce, and community, care about this research?

This research is significant, as it looks forward at our province until the year 2020. It is important to understand that the risks and trends presented filter down to each of the communities in Alberta. The phase one report details the demographic risks, phase two looks at community and municipal risks, and phase three looks at putting Alberta back on a track of saving for the future.

Take for example rising property taxes in your community. The result of such increases is because this form of taxation is a primary revenue stream for your municipality. As outlined in the phase two research, municipalities had many services downloaded to them in the 1990s, without additional dollars to operate them.

The result has been delay of other major initiatives, such as infrastructure repair. Yearly upward pressure on property taxes continues to be a reality, to deal with the infrastructure debt and as constituents have come to expect the same level of service as when these areas were run by the province. This example demonstrates how fiscal decisions at the provincial level of government, can filter down to the community level.

Phase one and phase three of Vision 2020 outlined various risks for the province, which could put it in a compromised position within 20 years, should it fail to plan now. The result could include further cuts at the municipal level, which is why community Chambers of Commerce must get involved in communicating this message to their local politicians.

What can Chambers do with the Alberta Vision 2020 research?

While the Alberta Chambers of Commerce has provided the Alberta Vision 2020 phase one – *Demographic Impacts on Alberta's Provincial Budget until the year 2026*, phase two – *Population and Fiscal Stresses in Alberta Municipalities* and phase three – *Saving for the Future Alberta Advantage* reports to all 83 Members of the Legislative Assembly (MLA), local Chambers can do their part by meeting with their local municipal councils, and MLAs. Following is a primer to help you prepare.

Who should local Chambers meet with?

Community Chambers of Commerce should plan to meet with their local councils, as well as their local MLA.

Municipal councils

With municipal councils, Chambers should be looking at what type of risk their municipality falls under – either **negative population growth areas** where declining economic activity and population outflows are contributing to fiscal challenges, or **high growth population areas**, where population growth (more than twice the provincial average from 1995-2003) is outpacing infrastructure financing, management and delivery.

Both of these categories are considered “at-risk” and together, the Chamber and the municipality should discuss how best to address its challenges. Before meeting with your respective politicians find out where your municipality fits in and how acute the stress is on your area. Negative population growth areas can be found on pages 26-29 of the phase two report, *Population and Fiscal Stresses in Alberta Municipalities*, while high growth municipalities can be found on pages 31-38.

Other issues to discuss with your local councils include ending the discrimination on non-residential properties, by taxing business properties at a higher level for property taxes. Also, municipalities should ensure the proper alignment of cost and price for user fees.

Member of the Legislative Assembly (MLA)

With your MLA, it is important to discuss why the provincial government should be looking at planning well beyond current political cycles. These messages can be found in the key findings from the phase one and phase three reports, as outlined below. Review with your MLA where your municipality falls in terms of its risk, as you would have outlined with your municipal councilors. It is also important to stress how decisions at the provincial level have serious implications at the community level, as outlined in the key findings from the phase two report.

How should each of the issues be approached?

In order to determine what should be discussed with your local politicians, it is important to understand the key messages from all three research papers, and their implications to both levels of government.

Key messages from phase one - *Demographic Impacts on Alberta's Provincial Budget until the year 2026*

An aging population, agglomeration (rural to urban migration), increasing health and education costs, declining resource royalties, and, the risk of spending future surpluses all influence the economic viability of our province.

Recommendations to the provincial government include:

- The fact that health care reform is necessary as large increases in health care spending have not resolved problems.
- Although resource revenues are volatile, some measures can be taken to mitigate effects of drop in resource revenues.
- Save all or a significant portion of surpluses in coming years to account for increased health care costs and to offset revenue decreases. (The phase three report goes further to suggest saving 30 per cent to 40 per cent of natural resource revenue.)
- Make public their long-term projections of fiscal balance using range of reasonable scenarios.

In addition to making sure our provincial government's fiscal position remains strong through to the year 2020 and beyond, the provincial government also has a significant role to play in the sustainability of municipal governments. As such, the following recommendations were made to the provincial government in the phase two report.

Key messages from phase two - *Population and Fiscal Stresses in Alberta Municipalities*

- Reduce municipal spending obligations by reassigning certain fiscal responsibilities to the provincial level.
- Allow municipalities greater flexibility in capital finance to encourage greater use of borrowing through non-traditional means.
- Reform and increase transfers to provide a predictable, sustainable level of funding to municipalities to facilitate municipal long term planning.

It is important to stress that no new tax tools are needed at a municipal level, simply a restructuring of current resources at the provincial level could help ensure the sustainability of communities. Transfers to the municipal order of government from the provincial and federal orders are provided to close a fiscal gap, to alleviate an externality or to provide equalization among municipalities.

Lastly, while we are in a time of economic boom, the province has to be proactive in saving for its future sustainability.

Key messages from phase three – *Saving for the Future Alberta Advantage*

- Alberta's annual per capita spending should not exceed population growth and inflation.
- The province should deposit between 30 per cent and 40 per cent of all nonrenewable resource revenues in the Heritage Fund annually.
- The province should consider transfers of additional resource revenue into the Heritage Fund (beyond the recommended percentages) in the manner of the state of Alaska.
- The province should not issue dividend cheques in the short to medium-term. While the 2006 dividend cheques were popular, such payouts place the dividend "cart" before the principal "horse."

When should your Chamber take action?

Since Premier Ralph Klein announced in 2004 that Alberta would be debt free, the provincial government has received countless requests to spend more money in various areas. Additionally, as the province readies itself for a leadership race, the time is now to get the message out. Therefore the time is now to work with your local MLA and council to put to use this research in your community.

Where can your Chamber go for more information?

The research and supporting documents are available at www.albertavision2020.ca. Members of the ACC Executive Committee can also come out to present this research to your members. For more information, please call 780.425.4180 or 1.800.272.8854.