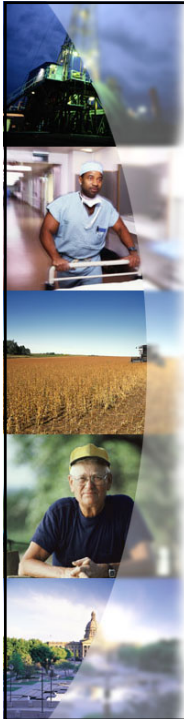


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Phase II report: Population and fiscal stresses in Alberta municipalities

John Carpenter, CEO
Certified General Accountants Association of Alberta
Ken Kobly, CEO
Alberta Chambers of Commerce
Darrell Toma, President
Alberta Chambers of Commerce

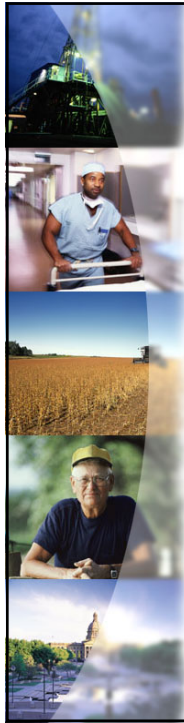


What is Vision 2020?

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- Provides insight on how demographic changes will affect Alberta's economic, social and policy landscape
- Report is the second of a multi-year project
- Partnership between Alberta Chambers of Commerce (ACC) and Certified General Accountants of Alberta (CGA-Alberta)

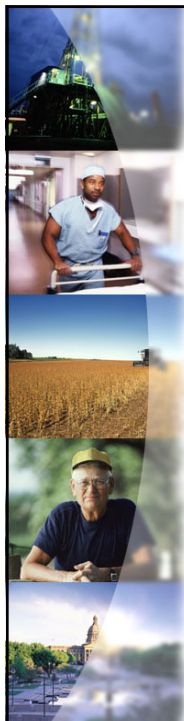




Why now?

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- Debt free status of province
- Political cycle too short to account for long-term issues
- Addressing challenges could mean difference between prosperity or economic decline
 - Project aims to identify challenges to help government respond
 - First report explains demographic changes to 2026

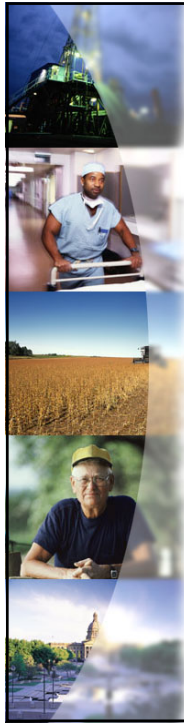


Trends from phase I

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- Aging population;
- Agglomeration (rural to urban migration);
- Increasing health and education costs;
- Declining resource royalties; and,
- The risk of spending future surpluses.

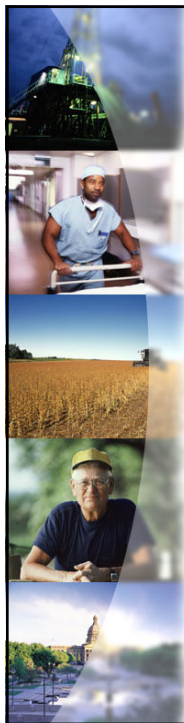




Recommendations from phase I

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- 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.

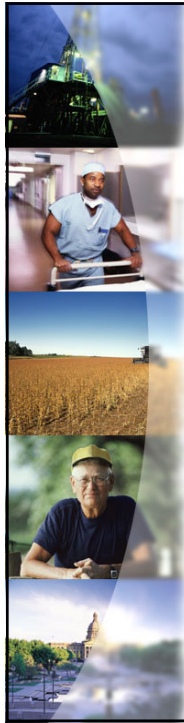


Recommendations from phase I (cont.)

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- Save all or a significant portion of surpluses in coming years to account for increased health care costs and to offset revenue decreases.
- Make public their long-term projections of fiscal balance using range of reasonable scenarios.



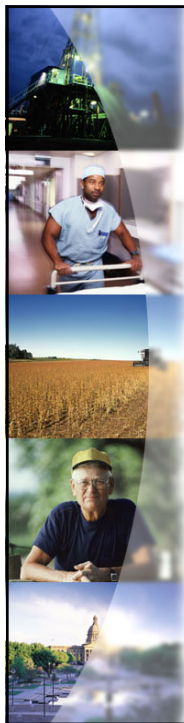


Phase II

Why municipalities?

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- Municipal government is increasingly important to taxpayers' daily interactions and their receipt of essential public services.
- Municipal share of total government spending however has fallen. Went from 18.3% in 1947 to 23.2% in 1965, and down to 17.2% of all government spending in 2000.
- The transition from the rail to automobile era has brought about a shift in infrastructure needs and spending responsibility.



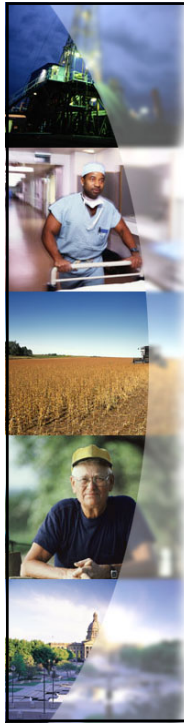
Phase II

Why municipalities? (cont.)

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- Municipalities “shared the pain” during the 1990s as provincial and federal government reduced deficits.
- The Province reduced transfers to municipal governments and at the same time downloaded responsibilities for service delivery to municipalities with no transfer of dollars to cover the incremental costs.
- Agglomeration a significant trend in municipal sustainability, as growth is uneven.
- Focus on infrastructure debt, but not on its sustainability. Exact size and scope of debt debatable, but all acknowledge it exists.

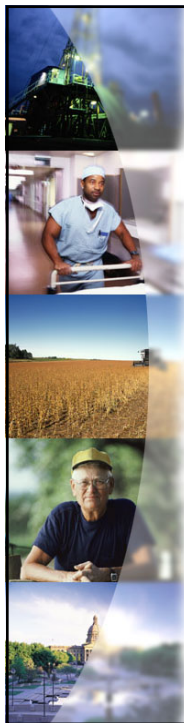




At-risk municipalities

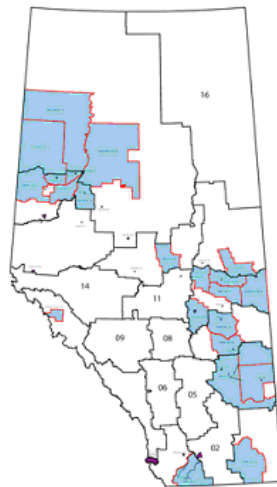
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- Municipalities under stress fall into two categories:
 - Negative population growth areas, where declining economic activity and population outflows are contributing to fiscal challenges.
 - High population growth areas, where population growth (more than twice the provincial average from 1995-2003) is outpacing infrastructure financing, management and delivery.
- Both categories are considered “at-risk”



Negative population growth areas

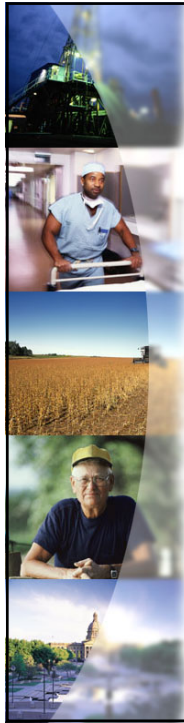
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Population declines between 1995-2003

- 21 municipal districts (MD) and special areas (SA), lost close to 5,000 people (decrease of 5.6%)
- 22 towns lost close to 3,000 people (decrease of 5.2%)

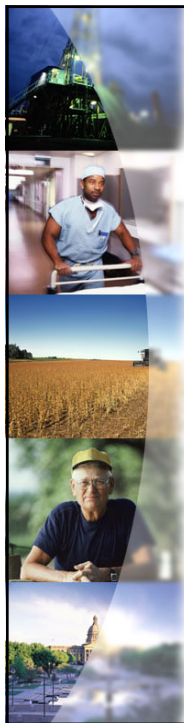




Negative population growth areas (cont.)

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- 8 of the 21 jurisdictions, representing 31% of the aggregate population, also saw spending grow faster than revenues (MDs and SAs)
- 17 of the 21 towns, representing 75% of the aggregate population, also saw spending grow faster than revenues



Negative population growth areas (cont.)

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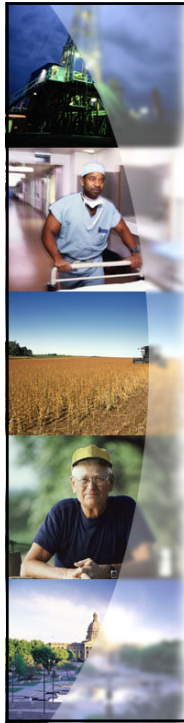
Top affected MDs and SAs

- MD of Jasper -22.8%
- Flagstaff County -9.8%
- MD of Smoky River -9.0%

Top affected towns

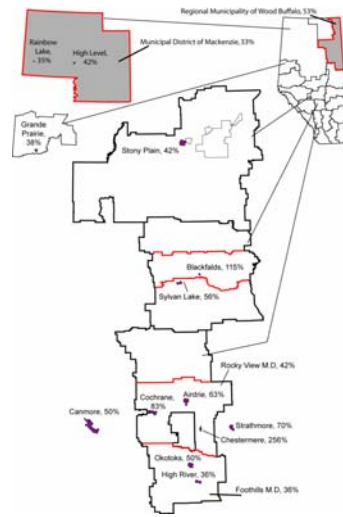
- Swan Hills -23.0%
- Grimshaw -13.4%
- Coronation -9.3%



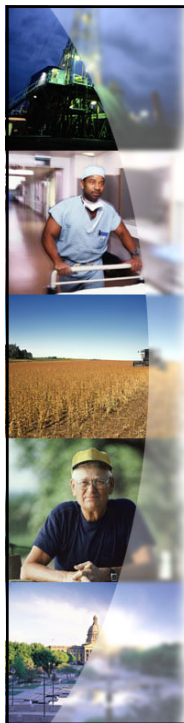


High population growth areas

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- Primarily the Calgary to Edmonton Corridor (CEC), Regional Municipality of Wood Buffalo, Grande Prairie, and the MD of Mackenzie
- The CEC, including Red Deer, contained 73% of the population and accounted for 80% of the population growth

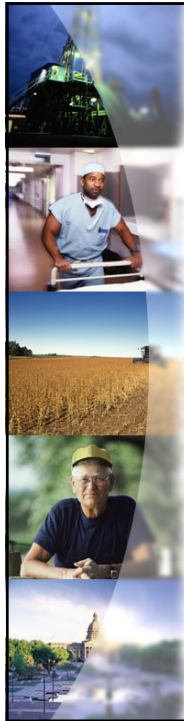


High population growth areas (cont.)

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- In addition to rapid population growth, 9 of 17 municipalities, representing 62% of the aggregate population, saw spending grow faster than revenues







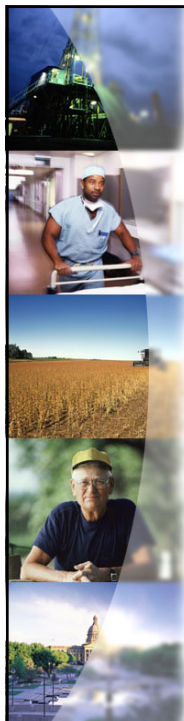
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High population growth areas (cont.)

Top affected areas

- Chestermere +256%
- Cochrane +83%
- Airdrie +63%
- MD of Wood Buffalo +53%
- Grande Prairie +38%
- MD of Mackenzie +33%





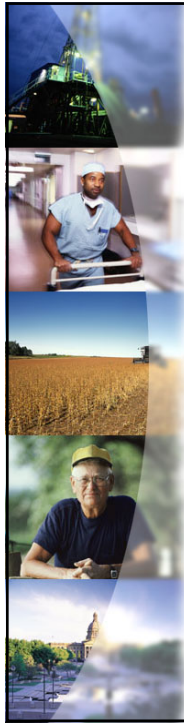
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Recommendations

Municipal order of government

- End discrimination of non-residential properties, by taxing business properties at a higher level
- Proper alignment of cost and price for user fees

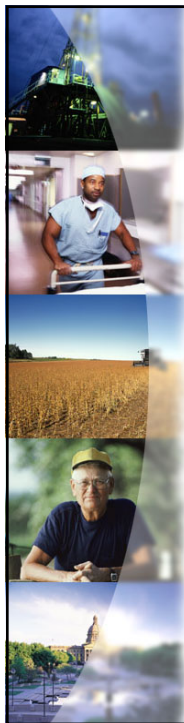


Recommendations (cont.)

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Provincial order of government

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

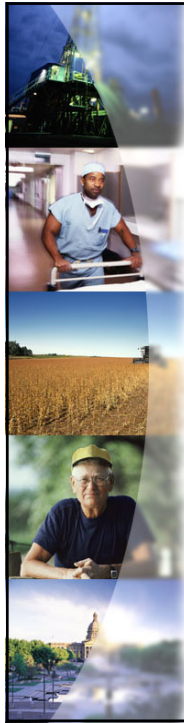


Key points

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- No new tax tools are needed, simply a restructuring of current resources
- 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.

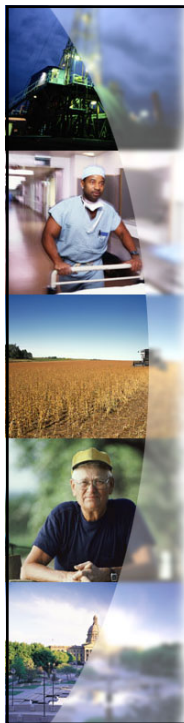




Next phase

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- Using the Heritage Fund to permanently protect the Alberta Advantage
- Estimated launch is early 2006



More information

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