



The Honourable
Amarjeet Sohi
Mayor of Edmonton

2nd Floor, City Hall
1 Sir Winston Churchill Square
Edmonton, Alberta T5J 2R7

amarjeet.sohi@edmonton.ca
780-496-8100

April 2, 2024

Premier Danielle Smith
premier@gov.ab.ca

Dear Premier Smith

On Wednesday, March 27, 2024, you made comments to the media outlining your concern for the “serious financial challenges that (City of Edmonton is) facing” and offered to provide help to the City of Edmonton if we outlined specific asks or information related to our needs. It is true that all municipalities, both in Alberta and within Canada, are struggling with the pressures of inflation, unprecedented population growth, and recovery from the pandemic. The City of Edmonton is already taking a measured response to tackling these challenges.

It is important for both you and the public to know that the City of Edmonton remains compliant with our guiding legislation in all aspects of our operations, including with our financial policies which are well within the legislated limits. Our city has a AA credit rating from S&P Global due to prudent financial planning. The current financial challenges we, and all municipalities across Alberta, face are contributed to by the lack of consistent and equitable support from both the Provincial and Federal government.

Provincial cuts and downloading impact every municipality in Alberta. For example, provincial funding for local infrastructure dropped from about \$424 per Albertan in 2011 to about \$154 per Albertan today — all while demands for municipal infrastructure continue to grow.

Edmonton's geographical location and status as a service hub for a larger regional population and for northern Alberta (as well as northern British Columbia and the Northwest Territories) means we bear a disproportionate impact of these provincial policies or budgetary decisions. Many of these decisions could be reconsidered or reinstated immediately, offering much needed relief to the property tax burden that Edmontonians could be facing this year in the context of a global affordability crisis.

As I have stated in previous official correspondence, personal interactions with you and meetings with your ministers and provincial officials in both political and administrative roles, provincial funding decisions are impacting Edmonton disproportionately. Many of these items have been outstanding for decades. I have outlined several of these previously identified areas



of program cuts or policy changes in full in the attachment to this letter and request that you consider these requests immediately. In summary, I am requesting that the province:

- Reinstatement of the Grant in Place of Tax Program retroactively to 2019, providing \$60 million dollars immediately to eliminate Edmonton's current deficit and reduce the pressure on the tax levy by approximately \$14 million annually.
- Revisit the Local Government Fiscal Framework funding formula to realistically address the growing infrastructure deficit occurring within municipalities and, at minimum, reinstate funding amounts to what was received per capita in 2011.
- Reconsider allocations to ensure that grants reflect service responsibilities of large municipalities.
- Fully fund Alberta Health Services emergency shigella outbreak response within the City of Edmonton, reducing the pressure on the tax levy by at least \$2.2 million annually.
- Review the police funding model and provide funding commensurate with the financial requirements necessary to operate a sustainable and well-equipped urban police force.
- Reinstatement of funding for the DNA testing program, reducing the property tax burden on Edmontonians by \$5 million annually.
- Fully fund Emergency Medical Services within Edmonton, reducing pressure on the tax levy by \$28 million annually.
- Reinstatement of the municipal portion of fine revenue to 73.3%, reducing pressure on the tax levy by \$7-8 million dollars annually.
- Ensure equitable treatment between Edmonton and Calgary for maintenance of provincial highways within city boundaries, reducing the pressure on the tax levy by approximately \$17 million annually.

In conclusion, Edmonton's unique circumstances and the current funding allocation formulas mean Alberta's capital city is not receiving appropriate or equitable funding to support our rapidly growing municipality. I would value the opportunity to meet with you and discuss Alberta's financial situation and how to work together to support Edmontonians.

Yours sincerely,

A. Sohi

Amarjeet Sohi
Mayor

cc:

Edmonton City Council

The Honourable Ric McIver, Minister of Municipal Affairs, minister.municipalaffairs@gov.ab.ca

Eddie Robar, Acting City Manager, eddie.robar@edmonton.ca

Please consider the asks outlined below, many of which I raised to you previously in my August 30, 2023 letter:

Grant in Place of Tax Program

Ask: Reinstate this program retroactively to 2019, providing \$60 million dollars immediately to eliminate Edmonton's current deficit and reduce the pressure on the tax levy by approximately \$14 million annually.

Historically, both the Government of Alberta and the Government of Canada pay a grant in lieu of the property taxes they would otherwise owe on buildings they occupy. The Federal government maintains those grants at 100% of the tax amount, but in 2019, the Government of Alberta reduced their grants to 75% of the tax amount and then further decreased to 50% of the tax amount in 2020. As a result of this change approximately \$14 million previously collected from the Government of Alberta shifted to Edmonton taxpayers.

As Alberta's Capital City and home to the Alberta Legislature and many provincial offices and support buildings, Edmonton is disproportionately impacted by this policy change. The cumulative effect of this decision is over \$60 million since 2019 — \$60 million is enough to eliminate Edmonton's current deficit.

Reinstating this program so that provincial buildings pay for the services that they receive would offer immediate financial stability to many municipalities across Alberta and repair decades of inequitable treatment occurring under many different provincial leaders.

Reinstate \$400M reduction of Infrastructure Funding

Ask: Revisit the Local Government Fiscal Framework funding formula to realistically address the growing infrastructure deficit occurring within municipalities and, at minimum, reinstate funding amounts to what was received per capita in 2011.

Alberta's population is growing quickly. Calgary and Edmonton are among the fastest growing major cities in Canada. Provincial funding for municipal infrastructure and services has simply not kept up with the growth of our communities and will not be able to handle the projected growth we anticipate in coming years.

The City of Edmonton alone manages over \$34 billion in capital infrastructure.

The provincial government's spending on infrastructure has dropped from 3.7 per cent of total spending a decade ago to just 1 per cent today. As I stated earlier, the provincial funding for local infrastructure has dropped from about \$424 per Albertan in 2011 to about \$154 per Albertan in 2023 – a decrease of about \$270 per Albertan. This represents about \$1.3 billion less investment in community infrastructure every year in our province. For instance, From 2007 to 2024, the City was expecting to receive close to \$4,207.4 million in MSI funding (including its replacement from 2022 to 2024). However, based on payments to date and estimated funding

as a result of the Government of Alberta's 2021-2022 budget, the City now anticipates receiving \$400.2 million less than promised.¹

Ask: Reform Allocation Methodology to treat Edmonton equitably

The *Local Government Fiscal Framework Act* sets capital funding for the Cities of Edmonton and Calgary at \$382 million for 2024-25. For 2024-2025, we estimate Edmonton will receive approximately \$150 million, which is lower than the historical Municipal Sustainability Initiative funding average of \$186 million. **This is an annual decline of \$36 million in provincial funding.**

Prior to the introduction of the Local Government Fiscal Framework Act, the City Charters Fiscal Framework Act allocated baseline funding of \$500 million annually (2022-2023) allocated to the City's of Edmonton and Calgary using two components, a revenue component and a fuel component. With the introduction of the Local Government Fiscal Framework Act the baseline funding was reduced to \$455 million through a single revenue component.

This current allocation is based on a legislated formula that ties Edmonton and Calgary funding primarily to their population size and education tax requisition. This creates funding inequity for Edmonton, which has unique needs as a hub for a broader geographic region and a large "shadow" population which comes to the city for work, amenities and services, placing additional burden on the municipal infrastructure. Therefore, while a larger overall funding pot benefits all municipalities, it does not fully address Edmonton's needs as long as the funding formula remains unchanged. **If the funding was allocated based on a formula that reflects Edmonton's unique circumstances, Edmonton would have received additional \$1B in provincial funding between 2007 and 2021.**

Family and Community Support Services Grant

Ask: Reconsider allocations to ensure that grants reflect service responsibilities of large municipalities.

In the context of the Family and Community Support Services (FCSS) grant, Edmonton responds to and supports the vast majority of the region's houseless mental health and addictions, newcomers, at-risk youth, low-income, and Indigenous populations. Edmonton often uses its FCSS allocation for preventive social service programs for at-risk individuals. In contrast, other municipalities are able to use the FCSS grant allocation towards seniors' services and programs designed to encourage healthy lifestyles, and other social programs targeting not-at-risk individuals. The difference in application reflects differences in service responsibility.

Provincial grant programs that are wholly or partly allocated based on population are unfair to Edmonton because we serve a larger regional population.

¹ Statistics provided by Alberta Municipalities

Shigella Response

Ask: Fully fund Alberta Health Services emergency shigella outbreak response within the City of Edmonton, reducing the pressure on the tax levy by at least \$2.2 million annually.

Since December 2022, at the request of Alberta Health Services the City of Edmonton provided a Hygiene Hub (including washrooms, laundry, showers and attendants) to help address the ongoing Shigella outbreak despite health being provincial jurisdiction. In 2023 the City of Edmonton incurred \$2.2 million in unfunded costs to respond to the ongoing Shigella outbreak. We are asking the Government of Alberta to deliver this service or fund the City to deliver this service for three years at \$2.2 million annually.

Sustainable Police Funding

Ask: Review the police funding model and provide funding commensurate with the financial requirements necessary to operate a sustainable and well-equipped urban police force.

Previous provincial funding mechanisms for police, which included the Municipal Policing Assistance Grant and the Police Officers Grant, were phased out and replaced with an annual grant. The new grant applied the 2021 funding levels in perpetuity, which, in essence, is a funding freeze that compromises Edmonton's ability to address population growth and inflationary pressures.

DNA Testing Charges

Ask: Reinstate funding for the DNA testing program, reducing the property tax burden on Edmontonians by \$5 million annually.

The province and the federal government have a biology casework analysis agreement for DNA testing services that has the federal government pay 46 per cent and the province the rest. In 2020, the Government of Alberta started invoicing the City of Edmonton for the DNA testing conducted by Edmonton Police Services and reduced the share of revenue from fines and penalties provided to the City, resulting in an ongoing reduction to the EPS operating budget, starting in 2020, of \$5 million annually.

Emergency Medical Call Response

Ask: Fully fund Emergency Medical Services within Edmonton, reducing pressure on the tax levy by \$28 million annually.

Municipal property taxes are not designed to pay for emergency medical services (EMS), but due to underfunding of this service by the provincial government, the City of Edmonton property-tax supported budget has had to cover these expenses. On March 18, 2024, Edmonton Fire Chief Joe Zatylny provided a report stating that the 70 per cent of the 95,496 calls to Edmonton Fire Rescue Services (EFRS) in 2023 were medically related. Health care in

Alberta is the sole responsibility of the provincial government and we are hopeful that the recent Medical First Response agency funding foreshadows fair funding for health services.

The cost to City of Edmonton taxpayers is \$28 million per year. Funding the EMS program within Edmonton appropriately to ensure these critical services are provided could provide approximately a 1.5% property tax decrease to Edmontonians.

Automated Traffic Enforcement

Ask: Reinstate the municipal portion of fine revenue to 73.3%, reducing pressure on the tax levy by \$7-8 million dollars annually.

Since 2019, the Government of Alberta reduced the City's share of automated enforcement revenues from 73.3% to 60% effectively reducing the Edmonton Police Services (EPS) budget by \$7-\$8 million dollars annually. In order to deal with this funding shortfall and to permanently reduce EPS dependency of this unpredictable and declining revenue, Edmonton City Council made a significant decision to replace traffic enforcement revenues with a \$22.3 million annual property tax levy.

Reinstating the previous fine revenue allocation could allow the City of Edmonton to reduce the property tax burden incurred by Edmontonians.

Provincial Highway Maintenance

Ask: Equitable treatment between Edmonton and Calgary for maintenance of provincial highways within city boundaries, reducing the pressure on the tax levy by approximately \$17 million annually.

Deerfoot Trail (Highway 2) within Calgary is designated as a Provincial Highway by way of Ministerial Order. Highways 2 and 16 within Edmonton have not received the same designation as Provincial Highways.

At present, the province maintains ring roads in both cities, but also maintains the Deerfoot Trail in Calgary through highway maintenance contracts with private contractors. The current contract for Deerfoot Trail came into force on August 1, 2019. The contract is worth approximately \$120 million with an initial term of seven years and the option for a three-year renewal. The contract calls for the daily maintenance of Deerfoot Trail, including: winter maintenance, maintenance and upkeep of infrastructure (bridges, roads and drains) and equipment (crash barriers, signage and lighting), as well as green spaces.

It is our understanding that the province used to maintain all or part of the Yellowhead and Whitemud, but costs were offloaded to the City of Edmonton in the past. We would like this issue to be further researched and resolved so Edmonton can receive equitable funding or comparable provincial services to maintain Highway 2 and 16 within Edmonton boundaries.