

2018 Bill 32

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THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 32

CITY CHARTERS FISCAL FRAMEWORK ACT

THE MINISTER OF MUNICIPAL AFFAIRS

First Reading

Second Reading

Committee of the Whole

Third Reading

Royal Assent

BILL 32

2018

CITY CHARTERS FISCAL FRAMEWORK ACT

(Assented to , 2018)

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Preamble

WHEREAS the Government of Alberta recognizes the importance of working together with the cities of Calgary and Edmonton in a spirit of partnership in the provision of funding for local infrastructure;

WHEREAS the Government of Alberta remains committed to creating a new funding framework for the cities of Calgary and Edmonton in the 2022-2023 fiscal year;

WHEREAS the cities of Calgary and Edmonton desire funding predictability and flexibility to respond and adapt to evolving circumstances;

WHEREAS the Government of Alberta and the cities of Calgary and Edmonton have agreed under the City Charters framework to develop a new funding framework for the cities based on revenue sharing;

WHEREAS it is prudent for the Government of Alberta to provide funding to the cities of Calgary and Edmonton in a way that provides for them to share in the risks and returns of variability in provincial revenues; and

WHEREAS the Government of Alberta recognizes the unique role and responsibilities of the cities of Calgary and Edmonton in their regions;

THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

Definitions

1 In this Act,

- (a) “Calgary” means the City of Calgary;
- (b) “Edmonton” means the City of Edmonton;
- (c) “fiscal year” means the fiscal year of the Crown in right of Alberta;
- (d) “funding” means funding under this Act;
- (e) “funding agreement” means an agreement entered into by the Minister under section 2;

- (f) “Minister” means the Minister determined under section 16 of the *Government Organization Act* as the Minister responsible for this Act;
- (g) “transit amount” means funding received under Part 3 of the Schedule.

Municipal Funding for Calgary and Edmonton

Authority to provide funding

2(1) Subject to this Act and the regulations, the Minister shall enter into agreements providing for funding to Calgary and Edmonton.

(2) A funding agreement may contain terms and conditions in respect of any matter relating to the funding.

Amount of funding

3(1) For the 2018-2019, 2019-2020, 2020-2021 and 2021-2022 fiscal years, the amount of funding for Calgary or Edmonton is to be determined in accordance with Parts 1 and 3 of the Schedule.

(2) For a fiscal year after the 2021-2022 fiscal year, the amount of funding for Calgary or Edmonton is to be determined in accordance with Parts 2 and 3 of the Schedule.

Payments

4(1) Subject to subsection (2), a payment from the amounts available under the Schedule may be made only

- (a) pursuant to a funding agreement and in accordance with the Schedule, or
- (b) in any other circumstances provided for in the regulations.

(2) A payment from the amount available under Part 3 of the Schedule may be made only at a time, to be determined in accordance with the funding agreement, when the recipient is prepared to make expenditures in relation to a purpose referred to in section 6.

Use of Funding

Eligible expenditures

5 Subject to section 6, funding may be used only to pay or defray the cost of expenditures permitted under the funding agreement.

Use of transit amount

6(1) A transit amount may be used only for a purpose specified in the funding agreement or approved under this section.

(2) The Minister may by order approve purposes or classes of purposes for which a transit amount may be used and, on doing so, shall provide a copy of the order to Calgary and Edmonton.

(3) A purpose or class of purposes may be specified in the funding agreement or approved only if the Minister considers it to be consistent with section 3(2)(a) of the *Climate Leadership Act* or an objective prescribed by the regulations.

Accounting for use of funding

7(1) The Minister may at any time require the recipient of funding to report in writing, to the satisfaction of the Minister, on the use of the funding.

(2) A report referred to in subsection (1) must be in a form satisfactory to the Minister and must contain any other information required by the Minister.

(3) The recipient of funding must permit the Minister or a person authorized by the Minister to examine any document or other record relating to the use of the funding.

General

Debts to Crown

8 If a person who is to receive funding owes an amount to the Crown in right of Alberta, the Minister may deduct from the funding all or a portion of the amount owing.

Refund of funding

9(1) Where a recipient of funding does not use all the funding in accordance with the funding agreement, the recipient must refund the surplus funding to the Minister.

(2) Where a recipient of funding does not comply with any term or condition of the funding agreement or does not use the funding in accordance with this Act, the Minister may require the recipient to repay all or part of the funding to the Minister.

(3) Any surplus required to be refunded under subsection (1) or any amount required to be repaid under subsection (2) constitutes a debt owed to the Crown in right of Alberta.

Minister's report

10(1) This section applies in respect of every fiscal year after the 2022-2023 fiscal year.

(2) Two years prior to a fiscal year in respect of which this section applies, the Minister shall prepare a report setting out for the applicable fiscal year the information required to calculate the division of funding between Calgary and Edmonton under sections 4 and 5 of the Schedule, the revenue component under section 6 of the Schedule and the fuel component under section 7 of the Schedule.

(3) A report under this section for an applicable fiscal year must be made public on or before September 30 of the fiscal year 2 years prior to the applicable fiscal year.

Report to the Legislative Assembly

11(1) The Minister shall, no later than September 1, 2032 and every 10 years thereafter, review the operation of this Act over the previous 10 years and prepare a report respecting the operation of this Act during that 10-year period.

(2) The Minister shall lay a copy of the report described in subsection (1) before the Legislative Assembly if it is then sitting, or, if it is not then sitting, within 15 days after the commencement of the next sitting.

Regulations

12 The Lieutenant Governor in Council may make regulations

- (a) prescribing or describing, for the purposes of section 4(1)(b), other circumstances in which a payment may be made from amounts available under the Schedule;

- (b) prescribing objectives for the purpose of section 6(3);
- (c) respecting the manner in which the population of a municipality is to be determined for the purposes of the Schedule;
- (d) respecting any other matter the Lieutenant Governor in Council considers advisable to carry out the purpose of this Act.

Coming into force

13 This Act comes into force on April 1, 2019, or on an earlier date determined by the Lieutenant Governor in Council.

**Schedule
Annual Funding**

Definitions

1(1) In this Schedule,

- (a) “change in fiscal policy” means a change in fiscal policy by way of the enactment, amendment or repeal of an Act or regulation or the exercise of a power or duty under an Act or regulation resulting in the creation or discontinuation of a source of revenue, or the increase or decrease in revenue from a source of revenue;
- (b) “education property tax requisition” means
 - (i) an amount required to be paid into the Alberta School Foundation Fund under section 174 of the *School Act* that is raised by imposing a rate referred to in that section, or
 - (ii) the requisition of school boards under Part 6, Division 3 of the *School Act*;
- (c) “fuel” means gasoline and diesel fuel that is subject to taxation under section 4 of the *Fuel Tax Act* but does not include tax-exempt fuel as defined in that Act;
- (d) “municipal population” means the population of a municipality determined in accordance with the regulations made under section 12(c) of this Act;

- (e) “provincial revenue”, in respect of a fiscal year, means the amount reported as total revenue for the fiscal year in the consolidated financial statements of the Province under section 8(2)(a) of the *Fiscal Planning and Transparency Act*, minus the following:
 - (i) reported revenue collected under the *Climate Leadership Act*;
 - (ii) reported revenue paid into the Climate Change and Emissions Management Fund established under section 10 of the *Climate Change and Emissions Management Act*;
- (f) “regional services commission” means a regional services commission, established under Part 15.1 of the *Municipal Government Act* to provide a transportation service as defined in section 602.01 of that Act.

(2) For the purpose of subsection (1)(a) and section 6(4), “source of revenue” means a tax, levy, premium or royalty.

Part 1 Bridge Funding

Funding for fiscal years before 2022-2023 fiscal year

2(1) Subject to subsection (2), where the Minister enters into a funding agreement under section 2(1) of this Act with Calgary or Edmonton for one or more of the 2018-2019, 2019-2020, 2020-2021 and 2021-2022 fiscal years, Calgary or Edmonton, as the case may be, is entitled, subject to the terms and conditions of the agreement, to receive the amounts provided for in the agreement.

(2) The aggregate amount of funding provided under subsection (1) must be the sum of

- (a) an amount not less than \$580 000 000, representing the amounts payable to Calgary and Edmonton under the Municipal Sustainability Initiative, and
- (b) an amount not less than \$660 000 000, representing the amounts payable to Calgary and Edmonton under the Basic Municipal Transportation Grant.

Part 2
Annual Funding for
Calgary and Edmonton

Funding for 2022-2023 and subsequent fiscal years

3(1) The aggregate amount available for providing funding to Calgary and Edmonton under this Part for the 2022-2023 fiscal year is \$500 000 000, comprising

- (a) a revenue component in the amount of \$252 000 000, and
- (b) a fuel component in the amount of \$248 000 000.

(2) The amount available for providing funding to Calgary and Edmonton under this Part after the 2022-2023 fiscal year comprises

- (a) a revenue component determined under section 6(1), and
- (b) a fuel component determined under section 7(1).

Funding for Calgary

4(1) Where the Minister enters into a funding agreement with Calgary for one or more fiscal years after the 2021-2022 fiscal year, Calgary is entitled, subject to the terms and conditions of the agreement, to receive the following amounts in each fiscal year under the agreement:

- (a) the percentage, determined under subsection (2), of the revenue component specified in section 3(1)(a) or determined under section 6(1), whichever is applicable for the fiscal year;
- (b) 55% of the fuel component specified in section 3(1)(b) or determined under section 7(1), whichever is applicable for the fiscal year.

(2) For the purpose of subsection (1)(a), the percentage for an applicable fiscal year is calculated in accordance with the following formula:

$$\left[\left(0.48 \times \frac{A}{A + B} \right) + \left(0.48 \times \frac{C}{C + D} \right) + \left(0.04 \times \frac{E}{E + F} \right) \right] \times 100\%$$

where

A is the municipal population of Calgary determined in the fiscal year 3 years prior to the applicable fiscal year;

- B is the municipal population of Edmonton determined in the fiscal year 3 years prior to the applicable fiscal year;
- C is the aggregate amount of the education property tax requisitions to be paid by Calgary calculated as of the day, in the fiscal year 3 years prior to the applicable fiscal year, on which the consolidated fiscal plan is required to be made public under section 4(4) of the *Fiscal Planning and Transparency Act*;
- D is the aggregate amount of the education property tax requisitions to be paid by Edmonton calculated as of the day, in the fiscal year 3 years prior to the applicable fiscal year, on which the consolidated fiscal plan is required to be made public under section 4(4) of the *Fiscal Planning and Transparency Act*;
- E is the number of kilometres of open roads maintained by Calgary as of December 31 in the fiscal year 3 years prior to the applicable fiscal year, as reported to the Minister under section 577 of the *Municipal Government Act*;
- F is the number of kilometres of open roads maintained by Edmonton as of December 31 in the fiscal year 3 years prior to the applicable fiscal year, as reported to the Minister under section 577 of the *Municipal Government Act*.

Funding for Edmonton

5(1) Where the Minister enters into a funding agreement with Edmonton for one or more fiscal years after the 2021-2022 fiscal year, Edmonton is entitled, subject to the terms and conditions of the agreement, to receive the following amounts in each fiscal year under the agreement:

- (a) the percentage, determined under subsection (2), of the revenue component specified in section 3(1)(a) or determined under section 6(1), whichever is applicable for the fiscal year;
- (b) 45% of the fuel component specified in section 3(1)(b) or determined under section 7(1), whichever is applicable for the fiscal year.

(2) The percentage for the purpose of subsection (1)(a) is calculated in accordance with the following formula:

$$\left[\left(0.48 \times \frac{B}{A + B} \right) + \left(0.48 \times \frac{D}{C + D} \right) + \left(0.04 \times \frac{F}{E + F} \right) \right] \times 100\%$$

where

- A is the municipal population of Calgary determined in the fiscal year 3 years prior to the applicable fiscal year;
- B is the municipal population of Edmonton determined in the fiscal year 3 years prior to the applicable fiscal year;
- C is the aggregate amount of the education property tax requisitions to be paid by Calgary calculated as of the day, in the fiscal year 3 years prior to the applicable fiscal year, on which the consolidated fiscal plan is required to be made public under section 4(4) of the *Fiscal Planning and Transparency Act*;
- D is the aggregate amount of the education property tax requisitions to be paid by Edmonton calculated as of the day, in the fiscal year 3 years prior to the applicable fiscal year, on which the consolidated fiscal plan is required to be made public under section 4(4) of the *Fiscal Planning and Transparency Act*;
- E is the number of kilometres of open roads maintained by Calgary as of December 31 in the fiscal year 3 years prior to the applicable fiscal year, as reported to the Minister under section 577 of the *Municipal Government Act*;
- F is the number of kilometres of open roads maintained by Edmonton as of December 31 in the fiscal year 3 years prior to the applicable fiscal year, as reported to the Minister under section 577 of the *Municipal Government Act*.

Revenue component for fiscal years after 2022-2023 fiscal year

6(1) For a fiscal year after the 2022-2023 fiscal year, the revenue component for the applicable fiscal year is the amount calculated in accordance with the following formula and rounded to the nearest dollar:

$$G \times H$$

where

G is the revenue index factor calculated in accordance with subsection (2) for the applicable fiscal year;

H is the revenue component for the fiscal year 1 year prior to the applicable fiscal year.

(2) For the purpose of subsection (1), the revenue index factor for an applicable fiscal year is the number calculated in accordance with the following formula and rounded to the nearest ten thousandth:

$$\left(\frac{I-J}{J} \times K\right) + 1$$

where

I is the provincial revenue for the fiscal year 3 years prior to the applicable fiscal year adjusted, if applicable, in accordance with subsection (4);

J is the provincial revenue for the fiscal year 4 years prior to the applicable fiscal year;

K is the constraint factor specified in subsection (3) for the applicable fiscal year.

(3) For the purpose of subsection (2), the constraint factor is

- (a) 0.5 for the 2023-2024 fiscal year;
- (b) 0.55 for the 2024-2025 fiscal year;
- (c) 0.6 for the 2025-2026 fiscal year;
- (d) 0.65 for the 2026-2027 fiscal year;
- (e) 0.7 for the 2027-2028 fiscal year;
- (f) 0.75 for the 2028-2029 fiscal year;
- (g) 0.8 for the 2029-2030 fiscal year;
- (h) 0.85 for the 2030-2031 fiscal year;
- (i) 0.9 for the 2031-2032 fiscal year;
- (j) 0.95 for the 2032-2033 fiscal year;

(k) 1.0 for fiscal years after the 2032-2033 fiscal year.

(4) For the purpose of I in the formula referred to in subsection (2), the provincial revenue for a fiscal year is adjusted, if applicable,

(a) by deducting the amount, as determined by the Minister, of any increase of \$100 000 000 or more in any source of revenue for that fiscal year resulting from a change in fiscal policy, and

(b) by adding the amount, as determined by the Minister, of any decrease of \$100 000 000 or more in any source of revenue for that fiscal year resulting from a change in fiscal policy.

Fuel component for fiscal years after 2022-2023

7(1) For a fiscal year after the 2022-2023 fiscal year, the fuel component for an applicable fiscal year is the dollar amount calculated in accordance with the following formula and rounded to the nearest dollar:

$$L \times M$$

where

L is the fuel index factor calculated in accordance with subsection (2) for the applicable fiscal year;

M is the fuel component for the previous fiscal year.

(2) For the purpose of subsection (1), the fuel index factor for an applicable fiscal year is the number calculated in accordance with the following formula and rounded to the nearest ten thousandth:

$$\left(\frac{N-O}{O}\right) + 1$$

where

N is the number of litres of fuel for the fiscal year 3 years prior to the applicable fiscal year, as determined by the Minister and rounded to the nearest 100 000 litres;

O is the number of litres of fuel for the fiscal year 4 years prior to the applicable fiscal year, as determined by the Minister and rounded to the nearest 100 000 litres.

Part 3 Transit Funding

Transit funding

8(1) Where the Minister enters into a funding agreement with Calgary for one or more fiscal years after the 2017-2018 fiscal year, Calgary is entitled, subject to the terms and conditions of the agreement, to receive

- (a) subject to subsection (3), the amount determined by the Minister for a fiscal year before the 2027-2028 fiscal year, and
- (b) \$200 000 000 for a fiscal year after the 2026-2027 fiscal year and before the 2041-2042 fiscal year.

(2) Where the Minister enters into a funding agreement with Edmonton for one or more fiscal years after the 2017-2018 fiscal year, Edmonton is entitled, subject to the terms and conditions of the agreement, to receive

- (a) subject to subsection (3), the amount determined by the Minister for a fiscal year before the 2027-2028 fiscal year, and
- (b) \$200 000 000 for a fiscal year after the 2026-2027 fiscal year and before the 2041-2042 fiscal year.

(3) The aggregate of the amounts determined by the Minister under subsections (1)(a) and (2)(a) must not exceed \$3 000 000 000.

Payment to regional services commission

9(1) Subject to subsections (2) and (3), where a regional services commission includes Calgary or Edmonton as a member, all or part of the amount of the transit component to which Calgary or Edmonton is entitled under section 8(1) or (2) may be paid to the regional services commission instead of to Calgary or Edmonton, as the case may be.

(2) No amount may be paid to a regional services commission under subsection (1) unless the regional services commission has entered into an agreement with the Minister respecting the payment.

(3) A payment under subsection (1) is subject to the terms and conditions of the agreement referred to in subsection (2).

