

Good afternoon fellow Rotatarians.

We're here today to discuss the most pressing issue facing our city.

It's not just crime. It's not just transportation or transit. It's not just the environment, affordable housing, economic development or growth. It's not any one of those things, and yet, it is all of them.

It is an issue that affects every single one us, and generations of Calgarians to come. It's an issue of central importance to our city and all municipalities across the province.

That issue: our long-term financial sustainability. Over the next 15 minutes, you'll understand why this issue is real, relevant and demands a thoughtful, long-term response.

Municipal finance has been studied time and again by some of the brightest minds in Canada. Think-tanks like the C.D. Howe Institute, The Conference Board, The Canada West Foundation, and thoughtful individuals like Preston Manning. It was recently referenced by Prime Minister Harper's Competition Panel.

And they all come to the same conclusion. Municipalities like Calgary do not have the sustainable revenues required to build the infrastructure and provide the services we need now, and will need in the future.

As a city, our funding mainly comes from property tax, and we share that with the province. Each year, the province requisitions about one-half of it. The bill was \$542 Million this year - up \$40 Million from the year before.

Under funding of municipalities is a reality. It's a big challenge for every Mayor across this province and this country.

Here's what we know:

- There's enough tax money out there already.
- Cities don't get their fair share.
- This impacts the quality of city services and infrastrucuture.
- That hurts our quality of life and competitiveness.
- And we know, if we don't address it, it's going to get worse.

And that's why mayors across this country always seem to be going to other orders of government with our hands out. It's almost become part of our job description.

It is a consequence of how our system of government is set up. Simply put, the system is broken.

Here's a little trivia for you. Municipalities don't really exist. We are "creatures of the province", and that means that municipalities exist because of a provincial law. In Alberta, it's called the Municipal Government Act – the MGA.

Under this law every municipality, large and small, is considered equal. Big cities like Calgary and Edmonton are treated the same as hamlets, villages and rural municipal districts. And when it comes to funding, you'll often hear the province say "we have to have programs that work for everybody". Usually, what that actually means is everyone's going to get a little piece of the pie regardless of their real needs.

Another consequence of the MGA – there is a growing list of responsibilities being carried by municipalities, without the corresponding transfer of funding.

That's a problem. Our needs grow, but our ability to meet them doesn't keep pace.

The current system we operate under is highly paternalistic, and not as accountable, efficient or responsive as it should be. It is a system that belongs in the 19th Century, and its age certainly is starting to show.

I'll share with you an example.

Every year the Province invites us to make submissions for the next provincial budget. And every year, we dutifully put together a package of municipal priorities which require funding. And every year, if we express disappointment, the Treasurer says: "Provincial needs take priority over city wish lists." It's our annual budget square dance.

This year's going to be a little different. We're presenting two options:

Option One, our preferred option: The Province should commit to vacate property taxes over time- Leave those dollars here at local level for your local priorities.

If the Province agrees to that, they can disregard all of our other requests for direct grants to the city.

It's an interesting proposal, but it's actually a crossroads.

Either we're ready to move forward and solve this issue permanently or we'll just carry on with the same old flawed system. And we hope our submission this year will be a catalyst for change.

Because make no mistake, the consequences of inaction are very real, and they have an impact on the lives of every one of us.

Here's an example.

We've seen an alarming increase in violent crime in our city: Daytime shootings in public places, putting law-abiding Calgarians at risk. This is absolutely unacceptable, and demanded urgent action.

As a City, we took it. We pre-funded 200 new police officers over the next 3 years. That allows our Chief of police to get those officers recruited, trained and on the street quickly.

As a Council, we wanted to send a message to our police officers. We appreciate the job they are doing, and help is on the way.

We sent a message to the bad guys. Your increasingly dangerous behavior is not going to be tolerated in our city.

And we sent out a message for help to our friends at the province. We asked them to match our municipal contribution, do it on a province-wide basis, and set the goal of making Alberta gang free. We met with the Premier, the Minister of Justice, and Chief Hanson met with the Solicitor General.

The response: It would take more time and more meetings, as the province will not fund the request outside of the normal budget process. That was disappointing, and we'll continue to make the case for the officers.

I reference this situation because it helps illustrate the problems with our current system.

Local government is closest to the people, and most responsive to the people's needs. Yet there are times when we lack the resources to respond as we should. And that means calling on the province to help, which doesn't always happen. And sometimes when the two orders of government don't agree it becomes a very public discussion.

I can assure you, these public disagreements have very little to do with personalities and politics, and almost everything to do with a system that doesn't work.

But it doesn't have to be that way.

Imagine as a taxpayer you write your property tax cheque to The City as you do now, but instead of 48 cents of every dollar going to the Province, all of it stays here.

If that were true today, I can assure you there wouldn't be any hand-wringing by City Council about hiring more police officers to combat violent crime. We would just do it.

If 100% of your property taxes stayed here, we wouldn't need to apply to the Province to maybe get some funding for the South East LRT. We have the money to just build it.

The same goes for all of our other municipal priorities. We wouldn't need to go through our annual budget-dance with the provincial treasurer. We would have the resources to build the city we need.

And speaking of budgets, if all of your property taxes stayed with The City – guess what? We wouldn't need to keep raising them every year as high as we do now.

Having said all that, over the last 5 years we've had tremendous success working with the Government of Alberta to secure major funding for city infrastructure.

Premier Klein recognized this and agreed to provide Calgary with nearly a billion dollars in 2004.

Just last year, Premier Stelmach signed a historic 10-year agreement with municipalities: Over 11 Billion dollars across the province, 3.3 Billion for Calgary alone.

We thank the Province very much for that infrastructure funding.

We also thank them for the operating support they provide.

The Province gives Calgary about \$70 Million a year to support services like policing and ambulances. But here's the challenge: the funding isn't sufficient nor is it efficient.

We're talking about \$70 Million on a \$2.24 Billion City operating budget. That's about 3% and rarely do these provincial grants keep pace with growth.

Think about the bureaucracy with these things. Municipal grants have to be drafted, vetted, processed, administered, funded and audited. If there's a disagreement, letters get exchanged meetings are held, and if it gets really bad, you see politicians battling in the media.

When you think about the time and energy that goes into working in this current system, you just know intuitively, there has to be a better way.

There is. And that's why we're proposing that all property taxes should stay local, for local needs.

But we're not asking to have our cake and eat it too. Changing the system means giving more resources to municipalities, but that comes with responsibility and accountability. As the province gets out of property tax, they should also stop giving municipal grants altogether.

Let municipal councils be responsible to their local taxpayers.

It would put an end to the constant blame game. It would allow municipalities to focus on local issues, and the province to focus on provincial issues. And best of all, it would allow us both to serve you, our citizens, better. That's what really matters here.

We've reached a point in our history where we need to stop treating the symptoms and start addressing the disease. We need to recognize that the world has changed, and we must change too if government is to work in the 21st Century.

Big cities like Calgary and Edmonton are sophisticated corporations and no longer need to be treated as "creatures of the province".

And in a province like ours - a province with such abundance - there is ample tax money already in the system.

You don't have to accept a political system that's broken.

You don't have to accept a system where governments aren't as responsive as they should be.

You don't have to accept a system where only 4 cents of every tax dollar stays local - A system where taxpayers have a huge surplus in one tax account, and a deficit in another. On one hand, our provincial account is overflowing - \$30 Billion in surpluses over the last 5 years alone. On the other hand, for the municipal side of things, we're staring at a double-digit tax hike in the next budget.

But it doesn't have to be that way. We can change all that.

And you don't have to accept excuses about why we can't start changing it today.

Every day in public office is an opportunity to shape a better future, and every day squandered is a missed opportunity.

The destiny of our city and our province is ours to shape. All we need now is the will to act.

Thank you.