

Alberta Mid-Sized Cities Mayors' and CAOs' Caucus



Meeting Notes September 12-13, 2019 Lethbridge, Alberta

The attendance list for the Alberta Mid-sized Cities Mayors' and CAOs' Caucus Meeting can be found under Appendix A.

THURSDAY, SEPTEMBER 12, 2019

Opening and Welcome

City of Lethbridge Mayor Chris Spearman opened the Alberta Mid-sized Cities Mayors' and CAOs' Caucus (MCC) Meeting and welcomed the representatives from 22 Municipalities within the Province of Alberta.

Mayor Spearman also extended a warm welcome to both the Minister of Municipal Affairs, Honourable Kaycee Madu, and to Lethbridge East MLA, Nathan Neudorf.

A traditional Blackfoot Blessing was given by Travis Plaited Hair, followed by the Acknowledgment Statement from Mayor Spearman.

Mayor Spearman provided an opening statement, provided some background information on the City of Lethbridge and mentioned some current attributes and future goals. Mayor Spearman also commented on the importance of the MCC within the province, and building working relationships with the new Provincial Government.

Honourable Kaycee Madu, Minister of Municipal Affairs

Minister Madu thanked the audience for attending the meeting and thanked Mr. Neudorf for attending as well.

Minister Madu commented on the following:

- The Provincial Government, with their partners, are committed to the success of the Province
- The Municipalities within the Province need a positive partnership with the Provincial Government, and require long range planning to meet the needs of their residents
- Partnering with Doug Schweitzer, Minister of Justice and Solicitor General a new policing model has been initiated, and together they are hosting a session on the legalization of Cannabis and how it impacts local policing
- Bill 7, and its benefits to Municipalities
- The MacKinnon Report, which highlights the need for fiscal restraint. Until the Provincial Budget is released, the impacts to the Municipalities remains unknown
- The difficult decisions that the Provincial Government will face, and the promise to do his best to ensure the Municipalities have what they need
- His partnership with Barry Morishita, Mayor of Brooks and AUMA President, and that he is looking forward to seeing the Mayors at the upcoming AUMA convention

Bill Given, Mayor of Grande Prairie, thanked Minister Madu for attending and commented on the Police Costing Model. Currently, municipalities are responsible for 90% of the cost for policing. The proposed 70% coverage is fair and is endorsed and fully supported by the MCC.

Jeff Genung, Mayor of Cochrane, respectfully requested that the Provincial Government consider long-term stable and reliable funding so municipalities can continue to provide the supports for their citizens. The Large City Charters were mentioned, in that they contain a funding model that is tied to the provincial economy which allows those two cities to budget accordingly.

Stuart Houston, Mayor of Spruce Grove, commented on the fact that we live in interesting and challenging times but everyone has a common interest in representing their municipality. Spruce Grove is in attendance with the spirit of cooperation on the forthcoming budget restraints and will fully support the Provincial Government.

Tara Veer, Mayor of Red Deer, commented on the Mid-sized Municipalities and that they are the next million population. The relationship with the two large cities, Edmonton and Calgary, and the City Charters, were mentioned. Ms. Veer asked that the Provincial Government has ongoing and transparent dialogue with regards to any impacts of change, and that this dialogue occur with Municipal Affairs prior to any media releases.

Minister Madu then spoke to the following:

- MacKinnon Report and that this report speaks to that state of the Province's finances and where the Provincial Government needs to go from here. There are aspects that they have control of but have not had the courage to address in the past, and then there are aspects that are out of their control
- Provincial Government needs to make money before they can spend money. For citizens and corporations means the economy has to do well as well
- The attack on the vital oil and gas sector
- "We need to get our finances in order – we need policies that keep the money in our province that may be used for capital projects in our province"
- Must continue to build our communities and that they are safe and vital
- Deal with the issue now so we don't have to deal with it tomorrow
- Police funding and the contribution of funding
- The health of our province as a whole
- Directly after his election, he reached out to all municipalities and looks forward to the continuation of the positive relationship and partnership
- The Premier is deeply involved in making sure that we rebuild our economy. He understands the challenges that are faced by the Municipalities in the Province and will make decisions which will be for the best interest of these municipalities

A comment and question was posed regarding accessing of funding from both levels of Government and how to access these funds, and would the support of the Provincial Government be provided to access the funds from the Federal Government.

Minister Madu responded that the Provincial Government isn't going to stand in the way of the money coming into the Province. They are in support of leveraging federal grant funding. The Federal Government has their own agenda, which doesn't sync with the Provincial Government.

MSI Funding was discussed, with regards to how the Municipality chooses to utilize Federally funded MSI. Minister Madu commented that the Provincial Government won't stand in the way.

Comments were made regarding the upcoming budget restraints and that the Municipalities will need time to prepare for these changes to prioritize funding.

Minister Madu assured MCC that they will be remembered and that the Mid-Sized Cities represents more than one million citizens of the province, and that we will share in that prosperity together.

Allies were mentioned, and the MCC will be allies with the new Provincial Government.

Lethbridge-East MLA Nathan Neudorf invited everyone to speak to the members of the Provincial Caucus, and that the Leadership has created a positive environment that has access to the voice of the municipalities.

A comment was made that the Municipalities are the first point of contact with investors and they want to work with Provincial Government to invest new business to the Province.

Rod Frank, Mayor of Strathcona County, asked if there were any insights to budget announcements, and that any information prior to budget announcements would be beneficial for budget preparations. Minister Madu responded by commenting on the need for long term predictable funding to be included in the provincial budget and that this may be a key aspect of the budget.

Education tax was mentioned, with regards to the timing from the Provincial Government's release and the impact on tax notices. Could the Provincial Government be mindful of the announcement of the Provincial Education Tax information? This issue is being addressed.

Craig Copeland, Mayor of Cold Lake, asked if their Ministry will play a role in the oil industry regarding the creation of employment and rebuilding the economy? This was discussed.

A comment was made regarding new businesses which are based on technology. Wireless providers were mentioned and the support to municipalities regarding the issue with wireless providers was discussed. Support will be provided to the Municipalities in getting the tools that they need.

Bob Young, Mayor of Leduc, asked if there was anything MCC could do to help with the challenge of Bill 69. The federal election was mentioned.

Minister Madu thanked MCC for attending today, and spoke to the positive working relationship between his Ministry and MCC going into the future.

Impact and Prioritization from the Blue Ribbon Panel Report

General conversation occurred regarding the overall feel of the session with Minister Madu. It was felt that the session went very well and that Minister Madu left as an ally to the group.

The term "not dramatic" with regards to the upcoming budgetary cuts was discussed.

The comments "restraint will be minimum from his portfolio" and "we need to make money before we can spend money" were mentioned and discussed. The next step is to send a letter with what MCC requests from the Ministry and collectively sign the letter as a whole.

An analysis of the blue panel report was discussed.

Some points of discussion were:

- Municipal index
- Additional appropriate measures and content review
- More content
- Tool kits
 - Bench marking
 - \$2 billion debt
 - Red tape alignment
- Bill 7
 - 15-year sunset clause - 10 year gives certainty to the private sector
 - Annexation
 - Caveats / sunsets
 - Not clear – M & E
 - Comparators – sales, etc.
 - 12 – 8% consideration
 - To really make this effective and become a partnership – match the contribution of the education tax.
 - CRL – Education
- Fixed budget date
 - This can be supported
 - Capital infrastructure
 - Aggregate overall
- The need to stand in solidarity and be united in collective ideas
- Fiscal options
- Balance of capital options
- Fees for service
- Structural changes – MGA
- Building the committee

Specialized Municipalities and Amalgamation were mentioned and discussed.

- Efficiencies were mentioned
- Red tape reductions
- ICFs / IDP

It was suggested to not use the word “amalgamation” but use the term “fundamental structural change”. Do not use the language of the past.

A comment was made that MCC needs the government to actively support those Municipalities that choose to support the changes. The Provincial Government needs to support the Municipalities that want the change.

A pilot “Regional Charter Communities” was suggested. The City of Grande Prairie, the City of Red Deer and the City of Cold Lake would be willing to pilot as Regional Charter Communities.

The conversation of structural change and red tape reduction is a new conversation, that hasn't been discussed in the past.

The 1994 School Board Regionalization was mentioned and discussed.

Shared services was discussed. This is an opportunity for efficiencies and cost reduction.

Perhaps regionalizing with adjacent neighbours to show the Provincial Government efficiencies within independent municipalities is a better solution. This was discussed, with comments made as to why this is perhaps not the best solution.

Could this body ask the government to endorse and support those few municipalities that are wanting to pilot the Regional Charter Community solution and become an active supporting role in the process? Not all municipalities want to explore this solution.

Two step process was suggested, and that each Municipality do an assessment on the possibility of shared services, regionalization and then those municipalities that wish to pursue this possibility be supported by MCC. This was discussed.

It was suggested that the request for support come from the group as a whole, rather than expose those few Municipalities that may not be ready to advertise that they are interested in the structural change process.

Specialized municipalities were mentioned and discussed.

Recommendation #19 of the Red Ribbon Panel was discussed.

Red Tape Reduction on economic development was discussed.

Governance Framework for capital planning and the requirement for municipalities to be involved was discussed. Representation from MCC was mentioned. Stable predictable funding was also mentioned, as well as a procurement policy.

Provincial Drug Strategy

Chris Spearman, Mayor of Lethbridge, spoke to the submitted AUMA Resolution and that this strategy is based on the four pillars of health and that each municipality has their own challenges with this issue.

The Safe Consumption Site in Lethbridge requires the remaining three pillars in place to fully provide the necessary services to the community.

The City of Red Deer will second this resolution.

A question was posed as to how this Provincial Drug Strategy will impact each Municipality. Each community would be assessed and the lacking requirements would be identified based on the individual need.

City of Medicine Hat – Implications of the August 1, 2019 Alberta Court of Appeal Decision on River Ridge Litigation File

Robert Nicolay, CAO for Medicine Hat, commented on this issue as this will be submitted as an emergent resolution at the upcoming AUMA Convention.

Mr. Nicolay updated the group on this issue, and provided the background and the status.

How common is this issue? This could be precedent setting. The interpretation of the law was discussed.

Another ally could be Municipal Affairs, and the City of Medicine Hat would be reaching out to them for the support for a revision to the MGA regarding this specific issue.

Bob Young updated the group on an instance occurring within the City of Leduc. A gated community has turned their streets back to the City for care and control. The standards of the streets, and other factors, are being investigated.

It was the consensus of MCC that support would be provided to the City of Medicine Hat for this issue, and their submission of the emergent resolution.

Advocacy and Branding Strategy

The notes from the MCC meeting held in the City of Beaumont were discussed, with relation to the framework identified during that meeting. This framework was read and is still supported by MCC.

The previous goals set at that meeting were discussed. The four goals that were mentioned are still supported by MCC.

The five advocacy points discussed this morning were reviewed:

1. Fixed budget dates – and the context for partnership and communication between the Provincial Government and MCC.
 - It was suggested to change the wording of this to consultation / communication / partnership / and the idea of building stronger communities
2. Municipal structure change
3. MCC representation recommendation
4. Bill 7
5. Recommendation #19 – Red Tape Reduction

In addition, the following was suggested:

6. Municipal Index / Benchmarking
7. Procurement Policies
8. Long term predictable sustainable funding – meeting the needs of the Alberta / per capita
9. Connection to the provincial economy

How does MCC want to define ourselves?

- Environment of significant change – industry hub
- Nimble and responsive where change occurs
- We have the resources and the educated population, which separates us from our neighbours
- Innovative and technical
- Risk takers
- We are more than what the province thinks we are. We represent over 1 million citizens, however, the mid-size cities support more than those citizens. These cities also serve the surrounding communities as well.
- Driving industry (St. Albert provided examples of how they facilitate to the industry, including the timing to issue a business license and a development permit).
- Support the oil industry and the ag industry

How do we articulate the leverage that this group has?

- Quality and flexibility
- Significant administration capacity
- Working middle class
- Organized
- Have momentum
- Have the focus to carry out the momentum
- Strong drive for the relationship with the province
- Cost effective for investment
- Easier to invest in the Midsize City
- More aligned the provincial government agenda

How do we want to advocate?

- Get together twice a year
- Media release after the meeting – template for everyone to use and one for local media
- Continue the advocacy after the meeting and the media release
- Start spreading the MCC advocacy priorities and key messages with members of Council

What happens in between the meetings? How do we keep the momentum going?

- It was agreed that the mayors get together at AUMA for mutual support, consistent messaging, and strategic planning.

Do we need a MCC Advocacy committee? The history of the advocacy committee was provided and that committee initiated the Advocacy Framework. This framework is out of date and needs to be refreshed to meet the current government.

Could this group meet with the 37 MLAs? What happens between meetings? Who is doing the follow up? Is it left up to the last hosting community?

Perhaps one of the two annual meetings should occur in Edmonton where the 37 MLAs are invited to attend?

There is an Edmonton Area MCC, where the Mayors of that Region get together. Perhaps Regional MCC Sub-meetings should occur.

MLA Neudorf commented on the North Rural Caucus and the South Rural Caucus. Perhaps one or two MCC representatives could attend these meetings as regular contributors.

The more we organize the subcommittees – the more chance we have of losing the ability of being nimble and flexible.

Should there will be specific representatives chosen that will champion specific topics based on interest?

The need to stay nimble while gaining traction was mentioned.

How do we engage with Minister Madu? The news release, choosing the specific representative to champion our interests, and having the next meeting closer to Edmonton to invite all the MLAs were mentioned.

Having a meeting during the upcoming AUMA was discussed. It was suggested that a relationship building / social event be held on Tuesday, September 24 at 6:30, if possible. Cathy Heron, Mayor of St. Albert, volunteered to organize this meeting. It was suggested that Elected Officials be invited to attend this event. This will continue to advocate for the MCC.

The challenges of getting this group of officials together on short notice were discussed.

The attendance of all 22 representatives of MCC was discussed. Is it important for all 22 to be in attendance, or is it important to just have representation in the room, regardless of how many? It was commented that we need to go in with a “bang” and that the first time this group meets the 37 MLAs of the Provincial Government, there should be as many as possible in attendance to show unity. It was suggested that as many as possible attend this initial meeting.

The organization of MCC and the necessity of the organization was discussed. All councils are typically updated on the MCC meetings and the information shared.

The participants of the caucus meetings were mentioned and that these meetings are typically for Mayors and City Managers. Should Councillors and other key participants be included?

The key messaging of this group was discussed. For consistent and un-fragmented messaging to the Provincial Government, it was suggested to limit MCC to only Mayors and City Managers.

Is a fee appropriate to establish an Executive for MCC? This contribution could also be used for a consistent note taker, facilitator, etc. Five (5) cents per capita was mentioned. This was not consensual.

Should the advocacy of this group become more formalized?

Does this group need to have a stronger voice with the Provincial Government, and if so, what does that mean??

Mortgage Stress Test

Bridget Mearns attended the meeting to present on the Mortgage Stress Test, and its impact in Alberta. Resolutions A2019-04 at the upcoming AUMA Convention speaks to the impact of this issue, and was submitted from BILD Lethbridge.

The PowerPoint presentation from Ms. Mearns is available under Appendix B.

The stress test on uninsured versus insured mortgage was discussed. This stress test is for all types of mortgages.

2019 AUMA Convention and Resolutions

Barry Morishita, Mayor of Brooks and AUMA President, updated the group on the upcoming AUMA Convention.

The following was mentioned:

- The schedule of the Convention
- The format of the resolutions and how this will be the last year with this format
- The resolution themselves will be reclassified next year
- The classification of the seats
- The proposed resolutions
- Sponsored resolutions. The sponsoring and seconding Municipality each get a chance to speak, and should be prepared to speak at the appropriate time
- The federal panel was explained
- Should a resolution presented not be within the scope of the Province, it is appropriate to question why the resolution has been submitted

- There will be no local issues discussed at the Bearpit session. Topics and questions should be within Provincial scope and should be issues that pertain to the larger group as a whole

Mayor Morishita explained the role of AUMA, in that they are a supportive partner with MCC and are happy to assist with the needs of this group.

The representatives of MCC at the AUMA Board were mentioned and the passion of these representatives was shared.

It was explained that research projects can be forwarded to AUMA as they have the capacity for these types of requests.

AUMA is financially supported by the MCC group, so it should be utilized.

The ability for MCC to forward a resolution to AUMA was discussed. As each AUMA resolution must be a motion of an independent Council, it could not be submitted from MCC, but could be supported by MCC.

Prior to adjournment, the collaborative initiative, between the City of Lloydminster and their local FCSS, supporting mental health in their area was explained. Each participant was provided with the business card showing the positive messaging and containing a contact for further information.

The Thursday session recessed at 3:37 pm.

A tour, showcasing successes with the City of Lethbridge, was provided.

FRIDAY, SEPTEMBER 13, 2019

Issue Discussions:

Equalized Assessment - City of Red Deer

Mayor Tara Veer spoke to the Shallow Gas Taxation. Overall, there was to be no loss to the municipalities. Mayor Veer asked if there were any municipalities experiencing a loss and if there were concern with regards to the Education Tax affecting Equalized Assessment?

This issue seems to have affected Rural Municipalities the most.

It was reported that the rural municipalities are working with RMA regarding this issue. It seems that the County of Newell and County of Cyprus are the most affected.

The Machine and Equipment Tax Review was mentioned, as this may be impactful as well. The M&E model is being reviewed. Any implications will take effect in 2020.

Mr. Nicolay, with the City of Medicine Hat, commented on the Shallow Gas Tax. Mr. Nicolay explained that their City has abandoned multiple shallow gas mines as the cost of production is no longer cost effective.

Red Tape Reduction - City of Beaumont

Mayor John Stewart shared the success story of a Red Tape Reduction initiative in their City. The developers were subject to cumbersome rules and regulations that impeded development within their area. A mandate of the City Council was to encourage economic drive. As a result of this mandate, their Land Use Bylaw was reviewed and revised. Their new LUB contains only seven (7) land districts, with no Direct Control districts, which now allows more flexibility to the developers to encourage development in the region.

A Customer Service Approach was also shared. The City of Beaumont has encouraged a collaborative partnership between the developers and the Economic Development Staff. Area Structure Plans are now being finalized within 6-9 months, rather than the 18 plus months prior, which allows development to occur much faster than in the past.

A comment was made that the sharing of success stories such as the City of Beaumont's is beneficial to MCC, as other municipalities may utilize ideas shared.

Kelly Hegg, Deputy Mayor of Airdrie, shared their success story of the launch of "My Airdrie", an online platform where their citizens can pay their utilities, receive dog licenses and obtain residential building licenses. There is a 65% participation from their citizens, which has produced significant savings to the City in time and resources of their staff.

Additional municipalities shared stories of further red tape reduction, including:

Spruce Grove – they have eliminated dog licensing. Dog owners must obtain dog tags, but are no longer required to obtain a dog license. As well, annual business licenses have been eliminated. Business owners are required to update their information annually but no longer require a license to operate.

City of Lacombe have eliminated their annual dog licensing as well, and are now just requiring their dog owners to obtain a one-time dog license.

CRA GST Audit – City of Airdrie

Deputy Mayor Kelly Hegg, spoke to their ongoing audit, and asked if other municipalities have encountered this.

Mayor Barry Morishita responded, sharing his conversation with their financial auditor and that this issue stems from the language contained with the Service Sharing Agreements between the municipality and their partners in said agreements. The language could be interpreted as cost sharing, rather than service sharing.

ICF – City of Spruce Grove

Mayor Stuart Houston asked the group how the process to complete the required Intermunicipal Collaborative Frameworks (ICFs) was going, and commented on how their process has seemed to stall with the election of the new government.

The 2020 deadline for completion was discussed. Out of the 400 municipalities within province, 60 completed ICFs have been submitted.

ICF engagement was discussed. There is a period of arbitration within this process, and there is no need to “get a deal done”. If both parties do not agree, utilize the arbitration portion of the process. It was suggested that municipalities “don’t sign a bad deal” just to complete the process. During the arbitration process, other agreements may be reviewed for comparison and “bad deals” will be reviewed as well.

Continue to try to engage with your neighbours, as this will be identified in the arbitration process as well.

At this time Mayor Spearman welcomed City of Lethbridge Councillor Mark Campbell, and mentioned Councillor Belinda Crowson who attended some of Thursday’s session. Both Councillors are newly elected and were praised for their interest in the MCC.

The role of the MCC going forward was discussed, with the following comments made and discussed:

- Status Quo is not acceptable. We need to have more influence. How can we advocate more effectively for ourselves?
- Our take away and our message is that we are being heard, and that this format is a safe space. We can accomplish more government with relationships.
- The more MCC is formalized, the more changes will be made, however, if we don't move forward, nothing will change.
- Should specific people from this group be assigned to advocate on behalf of this group? AUMA is willing to be a resource – could AUMA designate a specific staff person to be a MCC liaison?
- This group and this format is targeted, flexible and focused. It is nice to have informal conversations.
- The nimbleness of the group was discussed.
- The terms of reference of MCC were mentioned; perhaps they need to be reviewed and updated as required.
- In between meetings was mentioned. We need something to carry us from meeting to meeting.
- Maybe having a chair or a committee of three to be tasked with the administrative information is a solution.
- Duties of hosting would be helpful to ensure consistency and expectations of the hosting communities. If there are significant costs, perhaps a fee could be forwarded as well.
- The “egos” of the two big cities verses the midsized city attitude was mentioned. We can't be seen as threats but willing partners and colleagues.
- Branding that represented MCC.
- Utilizing AUMA to assist 1 million Albertans.
- The funding of these meetings were discussed.
- It was suggested that four meetings per year occur. Two formal (April and September) and two informal (at the Leadership Meeting and at AUMA).
- Cathy's services should continue to be utilized.
- Hosting caucus meetings at AUMA.
- Continuity.
- Flat fee vs per capita.
- Three mayor committee.
- 2-3 mayors per advocacy issue.

After discussions, the following items were decided upon, and should be added to the agenda of the next meeting for action and discussion:

- It was the consensus that Tara Veer, Jeff Genung and Chris Spearman be names as MCC chairs.
- The Terms of Reference should be reviewed and the following changes should be considered – funding model (with options) and key advocacy messages should be identified. Perhaps annual budgeting should be accomplished to determine the fee structure. It was the consensus of the group that the co-chairs propose a fee structure with both a minimum contribution and a per capita structure identified.
- Each Council will need to have endorsement for MCC funding, whichever funding model is approved.

Branding and Fees were further discussed.

Does this group need their own brand, including letterhead? A show of hands was requested, with the results being split among the voters. Status quo will remain at this time, and a specific brand will not be investigated further. It was suggested that perhaps the format that the City of Cochrane uses, where all MCC logos are shown, could be utilized by all members.

The next MCC meeting was discussed. The hosting costs to the City of Lethbridge were mentioned. Without consulting fees, it was suggested that the meeting budget could be estimated at approximately \$5000 - \$7000. This is dependent of factors such as venue; the City of Lethbridge owned the venue, therefore lowering the overall budget.

The City of Red Deer has offered to host the next MCC in early Spring 2020, perhaps in April.

The City of Cold Lake offered to collect the past history of MCC, with reference to which municipality has hosted a meeting, and share this information with the group.

Premier Jason Kenney

Mayor Chris Spearman welcomed Alberta Premier Jason Kenney to the MCC.

Mayor Spearman spoke to the positive meeting with Municipal Affairs Minister Kaycee Madu the previous day and expressed the willingness of MCC to work with the new Provincial Government.

Mayor Spearman mentioned that the 22 MCC Mayors are allies with the 37 elected MLAs and that MCC represents over 1 million Albertans.

The nimbleness of the MCC, compared to the two larger cities was mentioned, and that MCC supports the Provincial agenda and is looking forward to working with the Minister and his government.

Premier Kenney thanked Mayor Spearman, and the MCC for the invitation to speak and commented on the following:

- Fiscal restraint, and the importance of getting the finances back in order
- The primary commitment to Alberta is to get our economy back in order as well; and how we are all partners with this
- Job Creation Tax Cut projects growth to the economy, and the opportunity to grow economy and increase revenue
- Corporate taxes have been down the last four years
- Red Tape Reduction Initiative and that Alberta became overburdened by process and regulatory rules
- Reducing the regulatory requirements for the municipalities
- Simplify the procedures for red tape, and the desire to have municipalities be more accountable to their residents rather than accountable to the government
- Municipalities will do what they can to reduce process based regulatory requirements on job creation and permits processes
- Challenging times are yet to come
- Curtailment on production. The Government is working with the oil and gas sector
- Committed to continue the path of diversification and innovation
- Fiscal reality, and the MacKinnon Report. The Provincial Government wanted top level advice on the state of the Province's budget
- Public money on public services
- 20% more per capita is spent in Alberta than any other province but the other Provinces have better outcomes
- slower projected revenue
- the four year freeze on health and education will be challenging but an important challenge to undertake.
- every level of government will be affected by the four year freeze, including municipalities, however, the impact remains unknown at this time
- Reliable and predictable funding

A question was posed to Premier Kenney regarding his views of the MCC. The two Large City Charters were mentioned, as well as the uniqueness of MCC. MCCs deal with the same issues as the two larger cities, just on a smaller scale. It was requested that Premier Kenney understand the challenges faced by MCC and that MCC is looking forward to working with him and his Government.

Mayor Bill Given commented on the need for structural change and made mention of the proposed police costing model. The proposed top end formula is fair and appropriate, and is supported by the group.

Mayor Jeff Genung thanked Premier Kenney for attending the meeting and mentioned that the Town of Cochrane is committed to working with him and his Government. Long term sustainable predictable funding is required from the Government to enable the municipalities to continue to provide services to their communities. It was requested that the Government work with the MCC to investigate similar charters that are in place with Calgary and Edmonton.

Mayor Stuart Houston spoke of the pride of being a part of MCC and the advantage of being in the MCC. There are 37 members of Premier Kenney's Legislature from the MCC area and one million people represented, and MCC is the key partners with what the Provincial Government is trying to achieve. MCC will work with the Provincial Government and support it in getting their message back to the communities. Premier Kenney expressed his thanks for this message and commented on the forthcoming challenges that not everyone will like not appreciate, but are important challenges to face.

Mayor Tara Veer thanked Premier Kenney for attending the meeting and commented on the strong belief that community building is Province building. Further that Alberta needs to set the agenda for the Country. Support for Premier Kenney was expressed. The municipalities are doing their part and want to work in alignment and partnership with the Provincial Government. A direct relationship with Premier Kenney and Minister Madu was mentioned, and Premier Kenney was thanked for appointing Minister Madu. Open communication and transparency were mentioned, between the MCC and the government, rather than through the media was requested. The Charter Process was mentioned, as many of the municipalities represented at the meeting were regional hub cities. Premier Kenney's commitment to partnership with the MCC was mentioned and he was thanked for fulfilling this commitment. Premier Kenney thanked Mayor Veer and spoke to the appointment of Minister Madu and made mention that Minister Madu will be the prime contact, between MCC and his Government. Premier Kenney's Chief of Staff Jamie Huckabay will also be a contact.

Mayor Spearman spoke to the regional center in the province and that they face the same challenges as Calgary and Edmonton but on a smaller scale.

Premier Kenney went on to speak to economic growth and immigration, and that we want to encourage immigrants to settle into the province. Perhaps the Mid-sized Cities could link perspective buyers with retiring business owners by using immigration initiatives to boost population. The City of Brooks and their meat processing plant was provided as a success story where welcoming immigrants in the community increased population and boosted the economy.

The Session resuming two weeks earlier than scheduled was mentioned.

Mayor Bill Given posed a question regarding advance notice of changes that will impact municipalities. Any notice as early as possible was requested.

Premier Kenney commented that his Government is trying to be sensitive to the budget planning of their partners, including municipalities, hospitals and schools.

Pro energy advocacy was mentioned and that defending our pro energy advocacy is everyone's responsibility. It was suggested to use our connections to explain our situation to the rest of the country, and explain our fight back strategy.

With no other comments or questions forthcoming, Mayor Spearman thanked Premier Kenney for taking the time out of his schedule to meet with MCC, and indicated the anticipation of the upcoming favourable working relationship between MCC and the Provincial Government.

After a group photo, the Mayors and the CAOs each broke out into separate In-Camera sessions.

The Alberta Mid-sized Cities Mayors' and CAOs' Caucus Meeting adjourned at 11:30 am.

ATTENDANCE LIST

Jason Kenney, Premier of Alberta
 Kaycee Madu, Minister of Municipal Affairs
 Nathan Neudorf, Lethbridge-East MLA
 Cathy Kiss, Principal, Crown Strategic Consulting

MCC Members	
City / Municipality / Town	Name
Airdrie (City of)	Kelly Hegg, Deputy Mayor
Airdrie (City of)	Leona Esau, Intergovernmental Liaison
Airdrie (City of)	Paul Schulz, City Manager
Beaumont (City of)	John Stewart, Mayor
Beaumont (City of)	Eleanor Mohammed, Deputy CAO
Brooks (City of)	Barry Morishita, Mayor
Brooks (City of)	Alan Martens, CAO
Chestermere (Town of)	Marshall Chalmers, Mayor
Chestermere (Town of)	Bernie Norton, Interim CAO
Cochrane (Town of)	Jeff Genung, Mayor
Cochrane (Town of)	Dave Devana, CAO
Cold Lake (City of)	Craig Copeland, Mayor
Cold Lake (City of)	Kevin Nagoya, CAO
Cold Lake (City of)	Andrew Serba, Mgr. Strat. Initiatives
Grande Prairie (City of)	Bill Given, Mayor
Grande Prairie (City of)	Horacio Galanti, City Manager
Lacombe (City of)	Grant Creasey, Mayor
Lacombe (City of)	Matthew Goudy, CAO
Leduc (City of)	Bob Young, Mayor
Leduc (City of)	Paul Benedetto, CAO
Leduc (City of)	Michelle Hay, IACP
Lethbridge (City of)	Chris Spearman, Mayor
Lethbridge (City of)	Bramwell Strain, City Manager
Lloydminster (City of)	Gerald Aalbers, Mayor
Lloydminster (City of)	Dion Pollard, City Manager
Medicine Hat (City of)	Robert Nicolay, CAO
Okotoks (Town of)	Bill Robertson, Mayor
Okotoks (Town of)	Elaine Vincent, CAO
Red Deer (City of)	Tara Veer, Mayor
Red Deer (City of)	Allan Seabrooke, City Manager
St. Albert (City of)	Cathy Heron, Mayor
St. Albert (City of)	Kevin Scoble, City Manager
Strathcona County	Rod Frank, Mayor
Strathcona County	Kevin Glebe, Interim Chief Commissioner
Spruce Grove (City of)	Stuart Houston, Mayor
Spruce Grove (City of)	Simon Farbrother, CAO
Stony Plain (Town of)	William Choy, Mayor
Stony Plain (Town of)	Thomas Goulden, Town Manager
Wetaskiwin (City of)	Tyler Gandam, Mayor
Wetaskiwin (City of)	Peter Tarnawsky, City Manager
Wood Buffalo (Regional Municipality of)	Jane Stroud, Deputy Mayor



The Impact of the Mortgage Stress Test in Alberta

Thank you for this opportunity to present to you today. I am **Bridget Mearns**, the Executive Officer of the Building Industry & Land Development Association or BILD of the Lethbridge Region. Our local association **represents over 125 business members in the residential construction industry** and **approximately 3,000 jobs**. Our industry is one of the largest employers in Lethbridge. **This shows up as \$190 million in wages.**

We are part of a **three branched association** – We are represented by BILD Alberta provincially and the Canadian Homes Builders Association nationally.

Our members build the houses and communities you live in

I was invited by Mayor Spearman (Thank YOU) to present to you some information on the “Mortgage Stress Test” and its affect on the housing market in Alberta. All of your municipalities have been negatively affected by this regulation.

In May of 2019 our association presented the finding of a report on the impact of the mortgage stress test had on the residential construction industry in Lethbridge

And we **requested that a resolution** be brought forward to AUMA. City Council agreed and the Town of Okotoks came forward to co-sponsor the resolution A4 (pg 22) you will be deciding on at your convention.

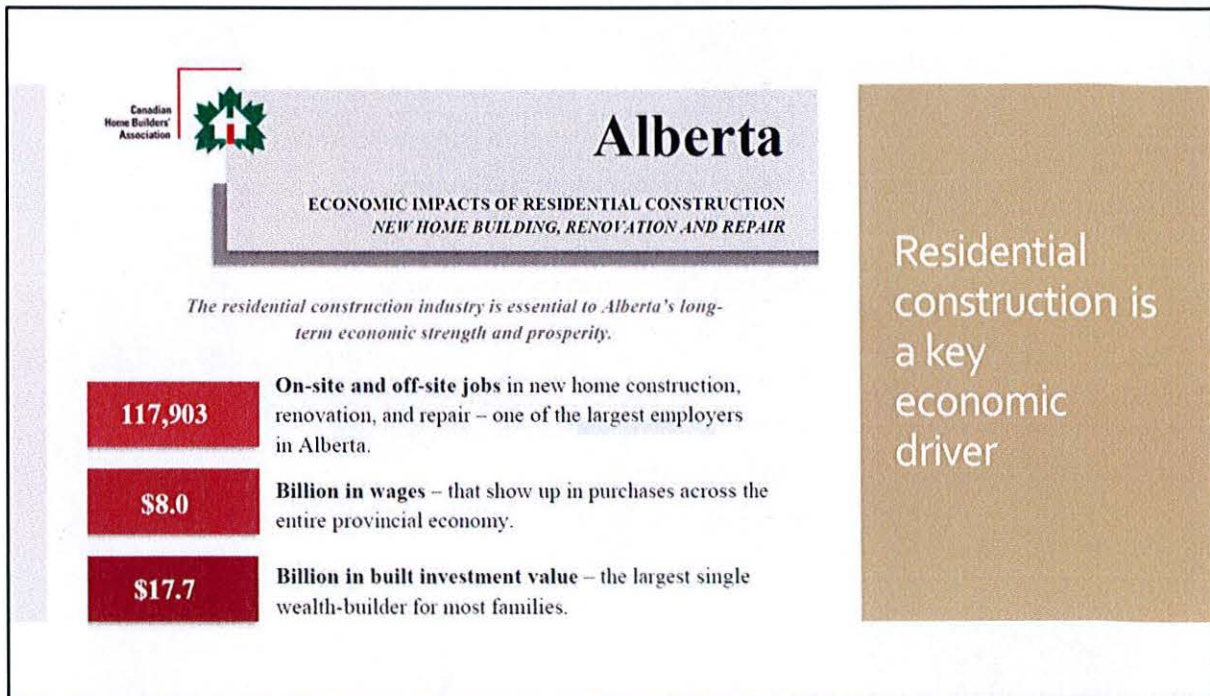


What I'll cover

- Residential Construction Economic Impact in AB
- Factors of Housing Affordability
- What is the Mortgage "Stress Test"
- Why Lethbridge is a Good Case Study
- Lethbridge Results & Real Terms
- Estimated Impact in other regions & Alberta
- Housing Starts in 2018 & Current State
- Housing Matters
- What We Need

I will not focus on Lethbridge only. I have compiled data that is relevant to some of your municipalities and Alberta. I hope you find what I have to share interesting and informative.

Read SLIDE -



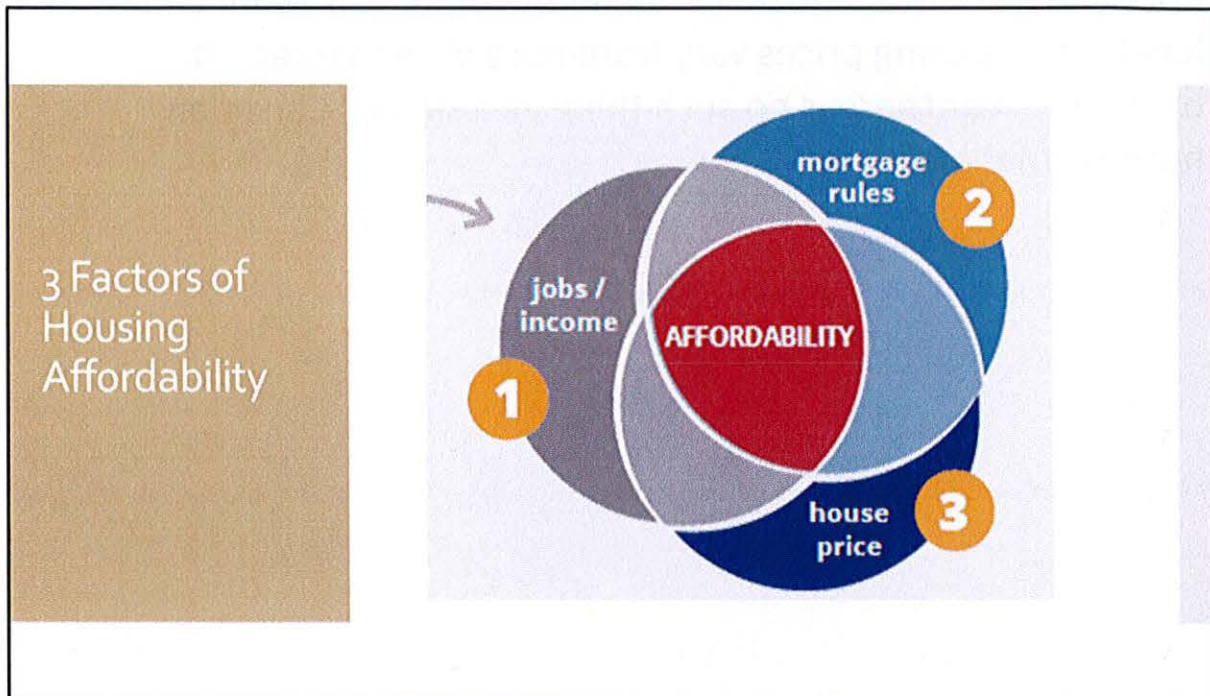
Residential construction industry is essential to Alberta's long term economic strength and prosperity

We represented almost 118,000 jobs

\$8 Billion in Wages

\$17.7 Billion in investment value

Our industry is made up of **builders, land developers, service professionals** like architects, engineers, **trades** – electrical, carpenters, welders, plumbers, drywallers..., **Manufacturers** – windows, doors, steel frames and **Suppliers** – paint, nails, drywall, sinks faucets, appliances, lumber... **you get the point.** A lot of **people are employed when homes are built, renovated and repaired.**



Before I move into the “stress test”, I would like to quickly talk about the factors that makes housing “affordable”. It is more complicated than just the price of housing.

Three factors determine what is “affordable” to a buyer.

- The income of the potential buyer(s)
- House prices
- Mortgage rules

Housing affordability is a **balancing act**. If incomes don't keep up with the pace of inflation, if house prices rise too quickly, or if mortgage rules don't allow for well-qualified buyers to purchase a home, then the balance is broken and affordability suffers. And that's what many Canadians are experiencing now.

Knowing these three factors and understanding how income levels and housing prices vary from market to market - it becomes clear there is no such thing as a **single** "Canadian housing market"

What is the "mortgage stress test"?

gross debt & total
debt service ratios
since 2012

OSFI
January 1, 2018
Additional 2%

Guidelines for all
federally regulated
financial
institutions

Credit Unions &
ATB voluntary
compliance



WHAT IS THE MORTGAGE STRESS TEST

Since 2012, there have been 14 changes to mortgage rules and policies, including more stringent Gross Debt and Total Debt Service Ratios. The latest change to impact the market started on Jan. 1, 2018. SIMPLY - To qualify for a mortgage, borrowers had to be able to afford mortgage payments at the current interest rate, plus an **additional 2%**. This has been referred to as the "Stress Test".

This applies to **all** borrowers including those who have put at **least 20% down**.

It **also** applies to those who are **refinancing or renewing their**

mortgage if they switch lenders making it more difficult to shop around or negotiate with their existing lender.

The cumulative effects of those changes have succeeded in making it harder for qualified buyer to qualify for a mortgage. First Time home buyers have been disproportionately affected.

This stress test applies to federally regulated banks. This does **not** apply to lenders that fall outside of the federal regulations, such as private lenders and credit unions. In Alberta, credit unions and ATB have been applying the stress test voluntarily.

The reason the “stress test” was implemented by the OSFI was twofold. **The first** was due to concern with the **debt load of Canadians** and **secondly**, to **deal with the overheated markets in Vancouver and Toronto**. Frankly, it did neither of these.

It is true the debt load for Canadian is alarming but not all debt is equal.

It should be noted that unlike other forms of debt (car loans, credit card, lines of credit) owning a home is a good financial investment and very few Canadians will ever default on their mortgage payments (on average, less than 0.29% even fall behind in payments let alone default).

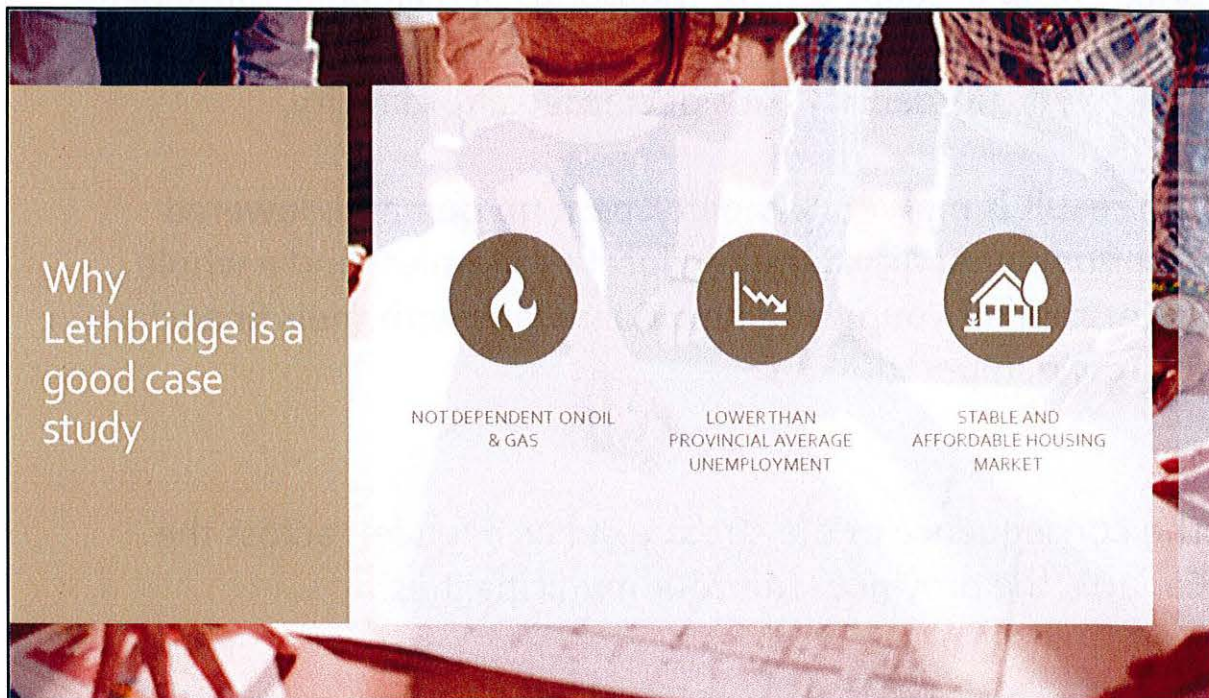
Secondly, applying a blanket mortgage rule to deal with a specific markets at the expense of other healthy Canadian housing markets was shortsighted at best.

Truly addressing affordability is not as simple as cutting out a percentage of the market to reduce the number of prospective

buyers and making prices (and homeowners' equity) fall. When prices drop because tens of thousands of millennials have been locked out of the market due to mortgage rules, that's not improved affordability – it's decreased affordability.

The result is market instability, pent up demand, lowered homeowner equity, faltering local economies, and a whole generation of young and new Canadians with their financial futures hampered.

The consequence of the stress test has been felt across the Canada, the province, and your municipalities.



In early 2018 our members reported they were seeing an **alarming increase in the number of rejected mortgage applications** due to the stress test and a significant decrease in sales – some reporting up to 40% decline. The same was felt in the resale market. We **teamed up with The Lethbridge District Association of Realtors and commissioned a study to gain quantitative data** on the impact of the stress test on Lethbridge.

If you recall, three things affect affordability of ownership - Mortgage Rules, Employment, Housing prices.

We knew the economy in **Alberta was already experiencing challenges with the downturn in the oil and gas industry** and employment numbers and economic growth was soft. You

would **expect a downward trend in the housing** market.

HOWEVER...

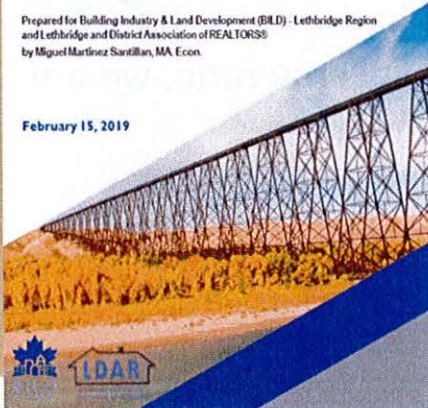
At the time of the study, Lethbridge and region was an outlier in the Alberta economy. We experienced increased economic growth, while Alberta's economy shrank, We had a below the provincial average in unemployment, we had a stable housing market and using the measure of price to income ratio, we are one to the most affordable markets in Canada.

So it if is not housing prices and it's not employment...

Impact of the Mortgage Stress Test on the Lethbridge Region Housing Market

Prepared for Building Industry & Land Development (BILD) - Lethbridge Region and Lethbridge and District Association of REALTORS® by Miguel Martinez Santillan, MA Econ.

February 15, 2019



New home sales are at the lowest since 2001. 40% decline over 2008

Residential resale decreased 3.6% in 2018 from 2017

Unabsorbed new homes inventory was above the 10 year average and over 11% increase from 2017

Diminished purchasing power – 14% priced out of the average-priced home after stress test

These are some of the key findings, most notably

The lowest new home sales since 2001

Above the 10 year average in new homes inventory

Over night the mortgage rule price 14% of household out of the average priced home

The new regulations causes many **households – in Lethbridge and your communities - to reevaluate their housing prospects**

Some households have to **lower their expectations to what they could qualify for and not what they need or want**

Other households have to put house **hunting on hold**

A larger portion of the population are **priced out of the market**

entirely and need to stay in or move to the rental market

All of these scenarios are problematic.

In real terms
for the
Lethbridge
Homebuyer

Maximum Affordability- Lethbridge Median Income

Pre-Stress Test	\$400,487
Stress Test - October 2016	\$331,140
July 2017	\$324,707
January 2018	\$314,359
December 2018	\$309,196
September 2019	\$295,761
March 2020	\$293,151
December 2020	\$291,470

Income Required to Buy a New Single Family Home

Pre-Stress Test	\$77,443
Stress Test - October 2016	\$92,584
July 2017	\$94,316
January 2018	\$97,252
December 2018	\$98,790
September 2019	\$103,044
March 2020	\$103,915
December 2020	\$104,485

Source: Calculations based on NAHB "Priced-Out" Methodology

To put it in real terms

Before the stress test a Lethbridge homebuyer with **median income of \$75K could afford a \$400,000 home** – the cost of a new build single family house. **After the stress test in 2018 the same home buyer could only qualify for a \$309,000 home.**
Same buyer. same income.

So this is Lethbridge... what about your communities?

Estimated Impact of Mortgage Stress Test in Alberta for 2018			
Region	Additional Households Unable to Qualify for the Averaged Priced Home	Estimated Lost Home Sales	% of Total Home Sales Lost
Alberta	157,805	5,490	10.3%
Calgary CMA	56,568	2,235	10.9%
Edmonton CMA	45,740	1,485	9.2%
Grande Prairie CA	1,240	139	5.2%
Medicine Hat CA	1,240	49	3.9%
Red Deer	3,945	379	9.9%
Wood Buffalo	1,075	47	4.1%

What is the impact on your region?

I have asked for BILD Alberta to provide use with some estimates. I am not aware of any existing report in your communities.

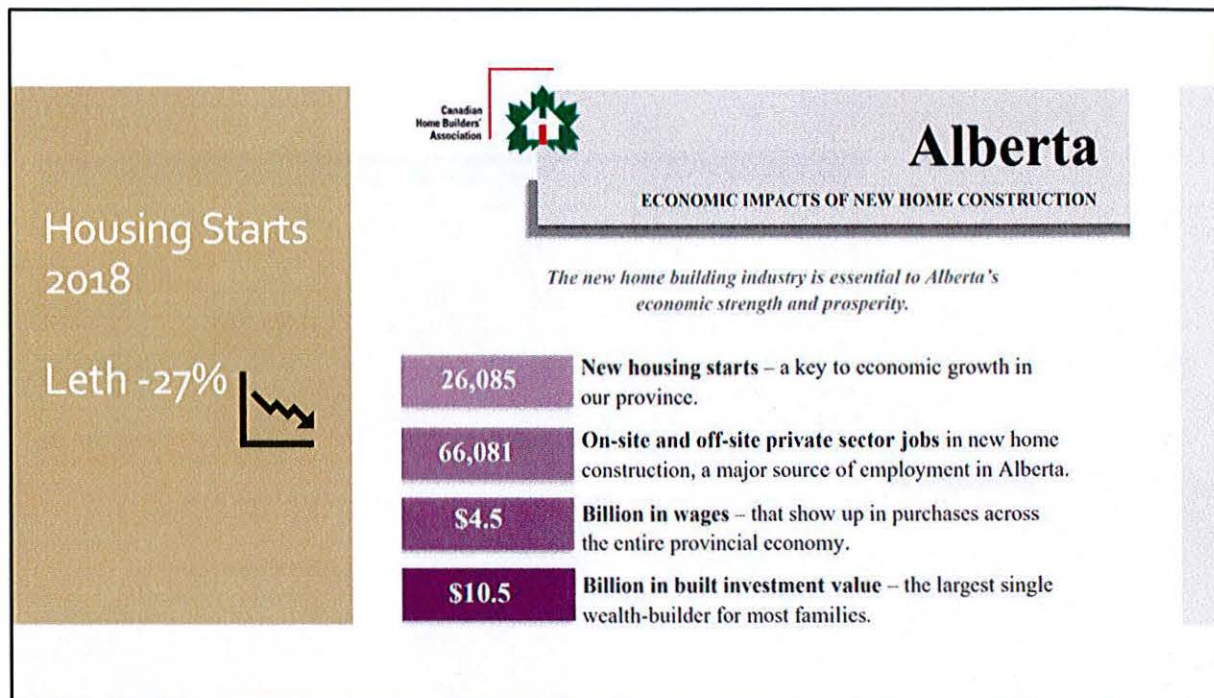
BILD Alberta calculated **how many households would be unable to qualify for a mortgage to buy the average priced home in each individual municipality** in 2018 after the stress test was applied.

Based on these calculations, the mortgage stress test prevented an **additional 157,805 Alberta households from qualifying for an average priced home (\$383,325).**

This led to approximately 5,490 decrease in unit sales. If the stress test didn't exist, Alberta Housing sales could have been

approximately 10.3% higher in 2018

The TD report also states that the places hardest hit by the stress test are the markets which are the most unaffordable, as well as those with lots of first-time buyers.



Housing Starts are used as one of the indicators of economic conditions by economist.

They look at starts simply because if houses are not being built there is a ripple effect that negatively affecting trades, service professionals, contractors, suppliers, small business owners etc. – its about jobs and the economy. In Alberta there were 26,085 new housing starts.

Our report showed that housing starts in Lethbridge declined by 27% in 2018. Imagine what the impact would have been.

Housing Starts

August 2019

Key Indicators: Year-to-Date Comparisons (% change)					
Centre*	Unabsorbed Housing Inventory**	Total Housing Starts	Single-Detached Housing Starts	Unit Sales	Average Sale Price
Alberta	21.3%	-12.3%	-24.5%	-2.2%	-3.2%
Calgary (CMA)	7.7%	-22.9%	-22.0%	-0.7%	-4.6%
Edmonton (CMA)	33.7%	2.0%	-27.3%	8.4%	-1.8%
Grande Prairie (CA)	3.3%	44.4%	-25.0%	-10.6%	-1.0%
Lethbridge (CMA)	-2.2%	30.0%	-18.4%	0.1%	4.4%
Medicine Hat (CA)	13.2%	-77.1%	-51.0%	-3.8%	-0.1%
Red Deer (CA)	-26.5%	102.2%	-12.5%	-8.5%	-0.4%
Wood Buffalo (CA)	6500.0%	-81.7%	-63.2%	-3.6%	-6.1%

* Data not available for Lakeland Region.

**Unabsorbed housing inventory is presented measuring year over year decline instead of year to date.

Legend:

Improved

Worsened

Minimal Change (+/- 2%)

This is a snap shot of housings starts to August 2019

The **Alberta housing market continues to struggle**

Total year to date housing starts are down in Alberta with large decreased in single detached units.

Completed an unabsorbed inventory in July 2019 totaled 5455 units which is 2194 units higher than the 10 year average Sales and home prices have seen modest year to date declined compared to 2018.

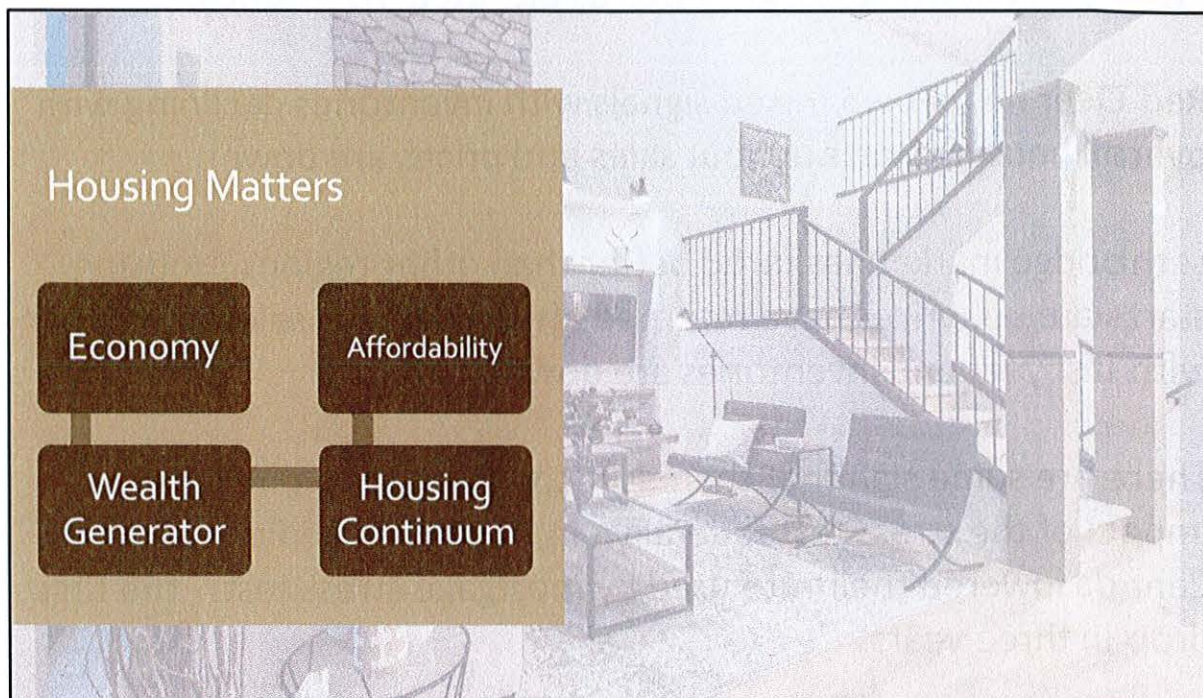
Individual markets have seen fluctuations.

Woodbuffalo and Medicine Hat have seen declines in sales, prices, and housing starts as well as elevated inventories.

Red Deer has shown mixed signals with inventories declining with overall housing starts up, but sales and prices are down.

Lethbridge market has fared better than other regions. Housing starts are up, prices have returned after a decline, sales are on par with last year and inventories are down.

There are some signs that there is recognition of the negative impact of the stress test federally - In July 2019 the Bank of Canada lowered their rate used by mortgage stress test - the first drop in three years.



There are many economic and social benefits to home ownership

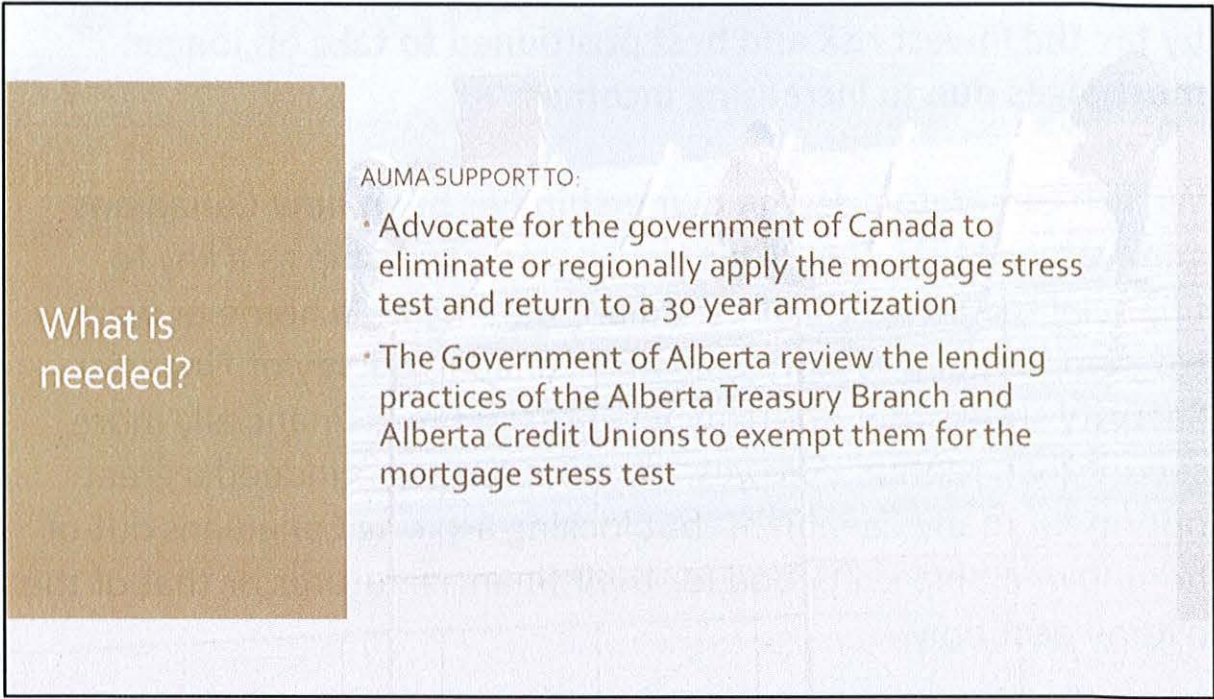
Economic - As I noted at the beginning of this presentation the residential construction industry in Alberta generates almost 118,000 jobs and \$8 Billion in wages. As you have learned that stress test has had an adverse effect on residential construction throughout the province, and I am sure your communities, have seen **significant layoffs in the industry just as we have.**

Affordability – the artificial decrease in purchasing power has eroded affordability of ownership and limited buyer options. The restrictive mortgage rules have locked out buyers, most notably the first time home buyers, who would have qualified

before the stress test and have the ability to carry a mortgage, which is often less than rent. According to Equifax Millennials are by far the lowest risk and best positioned to take on longer mortgages due to increasing incomes.

Wealth Generator - **Home ownership has been how Canadians generate wealth.** Canadians view homeownership as a key to financial security. 94% of Canadians either own a home or want to? And for good reason: Statistics Canada's Survey of Financial Security shows that homeowners are 9.6 times financially more secure than renters. And yes, for sure, renting is indeed a great option for many Canadians, but locking aspiring Canadians out of homeownership isn't good for their financial futures or that of the overall economy.

Housing Continuum – Affordable rent is also important; in Canada, **about 80% of homes that become available for rent each year are freed up from people who move into homeownership.** If they can't buy a home, they continue to rent and reduces the number of available rental units. This drives up demand resulting in increase cost of rent. When **renting becomes too expensive, the demand for subsidized housing increases** and **people in core housing or low income household end up struggling to stay in housing.** **Not addressing affordability in ownership severely affects non-market elements of the housing continuum.**



What is needed?

AUMA SUPPORT TO:

- Advocate for the government of Canada to eliminate or regionally apply the mortgage stress test and return to a 30 year amortization
- The Government of Alberta review the lending practices of the Alberta Treasury Branch and Alberta Credit Unions to exempt them for the mortgage stress test

The AUMA resolution before you is not just about the “stress test”.

- Its about **homeownership** and its **effect on the entire housing continuum**
- It is about **first time home buyers and wealth generation for Albertans**
- Its is about an industry that is a major employer and economic drivers – **its jobs and our local economies**
- It is about the **unintended consequence** of a **one size fits all government policy** that **negatively affected home ownership** and the **economic health in your communities and across Canada**

What is needed is a united voice by AUMA to

- Advocate to eliminate or regionally apply the mortgage stress test and return to a 30 year amortization
- Ask the Government of Alberta to review the lending practices of the ATB and Alberta Credit Unions in their voluntary application of the stress test

It is my hope that I have convinced you that this is a resolution that you and your delegates should support at the end of the month at your convention.

