



December 30, 2014

Honourable Brad Wall
Premier of Saskatchewan
Room 226, 2405 Legislative Drive
Regina, SK S4S 0B3

Dear Premier Wall:

In the 2009-2010 provincial budget your government implemented a historic revenue sharing program with municipalities. This initiative was applauded by SUMA and its members because it put in place a predictable, sustainable and long-term solution. Since the program's inception, significant funding has been injected into local governments to assist with providing the services and infrastructure needed to provide a high standard of living. SUMA and its members acknowledged this publicly in our *Partners in Building Our Saskatchewan* campaign.

In addition, SUMA has been and will continue to be supportive of your *Plan for Growth*. Our member municipalities are uniquely positioned to be major partners in this strategy. Collectively, cities, towns, and villages have accommodated a majority of the population increase and the revenue sharing program has helped these communities to manage the benefits and challenges that accompany growth.

Revenue sharing as it exists today was developed after a long process involving the government and the municipal sector. The committee engaged in this process worked tirelessly examining the costs associated with the operations of municipalities. Following the work of the joint committee, your government considered a number of options to share its own revenue with local governments. In September of 2008, you met with the City Mayors Caucus and shared that an internal analysis conducted by the government considered indexing the municipal revenue sharing fund to a number of economic indicators such as nominal GDP, commodity prices and income taxes. Ultimately, it recommended that allocating one full PST point was the best way to fund this program. It was agreed that PST captures many elements of our economy, from the sale of construction material, disposable income, and inflation. Many other Canadian jurisdictions are currently looking at our model to guide their interests in establishing similar revenue sharing programs.

In order to ensure the predictability of the program, your officials decided to calculate the overall amount of funding based on the amount collected from the second preceding fiscal year. This has since been entrenched in regulations.

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Both municipalities and the government agreed that the PST allocation would provide substantial funding to the municipal sector, while at the same time be reflective of the ups and downs of our economy. Urban municipalities were fully aware of the risks and benefits of this arrangement, specifically that there may be times when a downward adjustment would occur in a slow economy. We accepted this scenario in part because as partners in growing the province we agreed that municipalities should also absorb some of the effects of a weak economy. In addition, this program was predictable and therefore removed any pre-budget lobbying for funding and made annual budget forecasting much simpler.

As a benefactor of this program, in the first two years of the program municipalities accepted a lower allocation of 90 per cent knowing that the full 100 per cent would soon follow. We understood some of the challenges the government was facing at the time, and as partners we agreed to this scenario.

It is with this in mind that we find it troubling that there has been public discussion about moving away from the established formula for the upcoming year. As previously stated, the program was designed to allocate funding based on the second preceding fiscal year; therefore municipalities will experience a change in funding due to the current state of the economy in 2016-17. As we see it, there is no need to accelerate the adjustment. Changing the funding allocation before it is to occur goes against the fundamental principle of predictability. A change will also impact the many municipalities that have already completed or are near to completing their 2015-16 budget.

I had the opportunity to meet with Minister Reiter on December 22, 2014 to share the concerns of SUMA members. I am confident he clearly understands our position. I asked Minister Reiter to protect the interests of local governments and ensure the expected revenue sharing for the upcoming year remains.

On behalf of SUMA and its members, I ask that you also commit to protecting the principles of this program and remove any consideration to adjust revenue sharing from budget deliberations.

As the 2015 SUMA convention is fast approaching, I would like to resolve this matter soon. If you wish to discuss further in person, I would be pleased to meet with you in early January.

Sincerely,



Debra Button
President

cc: Provincial Cabinet
Saskatchewan City Mayors Caucus
SUMA members