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Finance Minister Morneau:

On behalf of FCM's nearly 2,000 members—cities and communities of all sizes, from all regions, representing more than 90 per cent of all Canadians—I am pleased to present this final submission to inform your upcoming federal budget announcement.

The federal-municipal partnership has never been stronger. Your government has advanced a bold vision for Canada, as it looks to municipalities to deliver local solutions to national challenges—from economic growth to climate change to social inclusion.

The last two federal budgets laid the fiscal framework for two historic nation-building opportunities: the National Housing Strategy and the Investing in Canada infrastructure plan. Both flowed from extensive engagement with FCM. Now we are urging federal leadership to ensure these opportunities do not fade into a symbol of what might have been—but instead generate transformational outcomes for Canadians from coast to coast to coast.

Today, federal leadership includes empowering municipalities as needs assessors, solution designers and delivery specialists. It means bringing orders of government together to ensure nation-building programs are designed right. Countless design elements—from cost-sharing to project selection to year-over-year funding profiles—form the tools municipalities need to put people to work, designs in motion and shovels in the ground.

This document summarizes key recommendations that FCM has shared with your government in recent weeks and months. We offer this compendium for your reference, and to welcome Canadians into this dialogue about our country's future.

Opportunities only come to life when they lead to outcomes, so let's work together now to make outcomes the priority. If we do, we can build the livable, competitive, inclusive communities—the better country—that Canadians deserve.

Sincerely,

Hertasi

Jenny Gerbasi Deputy Mayor, City of Winnipeg FCM President



Municipalities deliver outcomes

Municipalities form the order of government closest to peoples' daily lives—their realities, their struggles and their successes. Canadians identify with their local order of government, and they hold local leaders accountable for delivering outcomes they can experience.

Efficient transportation networks help business deliver goods and services, and help commuters spend more time with their families. Local police, clean water, waste management, newcomer settlement, recreational facilities—so much depends on the work of local governments. Those governments have developed deep expertise in assessing local needs and delivering solutions that work.

Local solutions, taken together, have national impact. When we expand public transit systems to shorten local commutes, we also boost national productivity and reduce Canada's climate-changing emissions. When we build more livable, inclusive communities, we attract and support talented workers, employers, young families, seniors and more of the rich diversity that Canada needs to prosper.

Local governments are responsible for 60 per cent of Canada's public infrastructure and an expanding suite of public services—all powered by barely 10 cents of each Canadian tax dollar. This is why visionary community-building so often depends on investment from other orders of government. And because local governments generally cannot run deficits, they have learned to squeeze maximum value from every dollar and every tool available.

To support that municipal drive for efficiency, FCM launched two new programs in 2017, with federal funding. Our Municipal Asset Management Program offers local governments new tools to generate even more value from infrastructure investments. And the Municipalities for Climate Innovation Program helps them integrate climate-related opportunities into decision-making.

In short, local governments focus on local needs and real outcomes—and they deliver cost-effective solutions that work. That is why the federal government is engaging municipalities to tackle some of Canada's most pressing national challenges, from economic growth to climate change, from public safety to social inclusion.

This engagement is a long-term work-in-progress. Our immediate challenge is to work together to turn major new opportunities—the National Housing Strategy and Investing in Canada plan—into real outcomes for Canadians. This starts with ensuring municipalities, the outcomes specialists, have the right tools for the job.

This country cannot afford to see these opportunities lie fallow. Getting this right will launch a decade of growth and quality-of-life gains in communities nationwide. And getting this right will lay a foundation for an even stronger partnership in the years ahead.



"You know what your communities need. We shouldn't tell you whether you need light rail or subways, better bridges, or climate resilient infrastructure. That's your job as municipal leaders to tell us what you need and how the federal government should help... With your important input, we've laid out a vision of the kind of Canada we want to build, and we're leaving the project selection to the experts: you."

Prime Minister Justin Trudeau, June 3, 2016 (at FCM annual conference)



National Housing Strategy

Affordable housing is the foundation of the strong, inclusive communities we want to build—and we have a once-in-a-generation opportunity to secure that foundation now.

Every day in our communities, we see how safe, affordable housing attracts and supports talented workers, newcomers, Indigenous households, seniors and families of all kinds. But we also see how human and economic potential withers when people face impossible choices between paying the rent and feeding the kids. It is simply unacceptable that 1.7 million Canadian families cannot find decent housing they can afford.

From the front lines of this housing crisis, municipalities are responding by providing land, exempting fees and expediting permits to encourage new affordable housing. They have also led the nationwide call for federal leadership. And this government has responded with a National Housing Strategy—a breakthrough that implements FCM's recommendations to grow Canada's affordable housing supply.

But for this strategy to succeed, we'll need to move swiftly to protect Canada's existing 600,000 social housing homes. These are real people's homes and the foundation of tomorrow's affordable housing supply. But after years of chronic underfunding for repairs, social housing providers are being forced to shutter homes as they become unsafe. And as long-term federal operating agreements continue to expire, so does the baseline funding social housing providers need to keep units open.

The next step is clear: fund social housing repairs, and re-invest expiring baseline funds. The National Housing Strategy will do both, and FCM supports its committed funding levels. *But urgency is everything.* While a more deliberate pace makes sense for new construction, there is no financial, planning or human rationale to deferring essential repairs or renewing baseline funding. Starting now will keep vulnerable people in their homes and protect public housing assets that would cost far more to replace later than to fix now.

FCM recommends similar urgency in retooling the Canada Mortgage and Housing Corporation (CMHC). After a quarter-century of focusing on market analysis and mortgage insurance, CMHC must adapt quickly to effectively deliver the National Housing Strategy. Its renewed mandate should prioritize cooperation, including engaging municipalities in selecting affordable housing projects that meet the most urgent local needs.

If we get this right, we really can build a future where every Canadian can find a safe, decent affordable place to call home.



"Safe, affordable housing is a launch-pad for better socio-economic outcomes for our citizens, a more inclusive society where everyone has the opportunity to be well and to succeed, a stronger economy and a cleaner environment."

Jean-Yves Duclos, Minister of Families, Children and Social Development, November 22, 2017



Protect Canada's existing social housing supply—vulnerable Canadians' homes—as an urgent first priority:

- Re-profile the new National Housing Co-Investment
 Fund to offer at least \$250 million annually in repair
 grants for the next three years, while retaining the
 overall investment levels committed in the National
 Housing Strategy.
- Further boost funding for repair grants by applying unallocated funding from the \$208 million Affordable Housing Innovation Fund program announced in Budget 2016—recognizing that securing existing assets is a precondition for innovation.
- Prioritize funding for repairs to social housing constructed before 1993, minimally for the threeyear period ending 2020-21. Cities stand ready to fast-track approvals for these essential works.
- As long-term federal social housing operating agreements expire, preserve their baseline funding immediately—recognizing that waiting beyond 2018-19 means vulnerable Canadians will lose their subsidized homes, further eroding the affordable housing supply.

Create winning conditions for the National Housing Strategy to generate transformational outcomes:

- Launch a Canada Mortgage and Housing Corporation mandate review to prepare it to accountably deliver the Strategy, developing mechanisms to align its decisions with the needs of those delivering housing on the ground.
- Develop a process that engages municipalities in selecting housing projects for funding through federally delivered Strategy components—to cost-effectively achieve federal objectives by targeting the most urgent local needs.
- Urgently catalog and communicate surplus federal lands available for affordable housing development in communities across Canada, at a transfer price that reflects their intended purpose.
- Work with Indigenous housing providers to design and deliver the \$225 million carve-out dedicated to renewing housing for Indigenous families living in cities and communities—working with municipalities as appropriate..
- Expedite the Homelessness Partnering Strategy's renewal so proven local initiatives can continue uninterrupted—while maximizing flexibility for local decision-making for the next generation of approaches to tackle homelessness.



Investing in Canada

This 12-year, \$180 billion federal infrastructure plan is a historic opportunity to build more livable, inclusive, competitive communities—for a stronger Canada.

The Investing in Canada plan is unprecedented in its nation-building ambition, and in the degree to which local governments have helped shape its design. This plan is a high water mark in federal and municipal governments partnering to deliver local solutions to national challenges, from economic growth to climate change to social inclusion.

Major affordable housing investment means more Canadians will find the security that comes with having a safe and decent home. Allocation-based public transit investment recognizes cities' full readiness to drive nation-building projects—shortening local commutes while boosting national productivity and lowering emissions. Distinctly supporting rural and northern priorities recognizes that Canadian nation-building unfolds in communities of all sizes.

Fundamentally, Investing in Canada recognizes that cities and communities are this country's hubs of growth and innovation. They are the places where families grow, innovation happens, talented workers gather, and businesses expand. And with new tools, local governments are ready to do even more to build tomorrow's Canada. But the Investing in Canada toolbox is a work-in-progress, and we need to work together to get it ready to deliver major outcomes.

To move infrastructure projects forward nationwide, full and fair cost-sharing across orders of government is vital. The range of eligible costs will need to reflect the real costs of delivering nation-building outcomes—including costs of long-term planning and design and costs of assessing climate-related risks and opportunities. And we simply cannot afford to miss this opportunity for progress on climate change.

Local governments are on the front lines as extreme weather events increasingly cause property damage and economic disruption. And with influence over half of all greenhouse gas (GHG) emissions, they are leading the way on green innovation—from energy-saving building retrofits to low-GHG waste systems. Scaling up local innovation will help achieve Canada's climate goals, but that will require significant access to new green infrastructure funds.

With some of these design elements now on the federal-provincial/territorial negotiating table, FCM is urging strong leadership to get this right—and to continue engaging with municipalities throughout this decade of nation-building. With the right tools and ongoing cooperation among orders of government, cities and communities stand ready to deliver the growth and quality-of-life outcomes Canadians are banking on.

OUR ECONOMIC TRACK-RECORD:



\$1.64

Economic growth generated per billion invested in local infrastructure



18,000

Employment created per \$1 billion invested



60%

Portion of Canada's public infrastructure run by local governments

"It's time for a real national conversation about empowering the local. It's the right way to govern ourselves."

> **Professor Richard Florida**, November 30, 2017 (to FCM Big City Mayors' Caucus)



Empower municipalities to achieve Investing in Canada objectives by prioritizing the following in federal-provincial negotiations:

- Secure full and fair cost-sharing to move infrastructure projects forward nationwide.
 FCM advocates: 40% federal, 40% provincial, 20% municipal—retaining the 50% federal share for Rural and Northern Communities Fund and transit rehabilitation projects, 60% for municipalities serving under 5,000 people, and 75% in the territories.
- Ensure application-based programs support a fair balance of municipal and provincial/territorial projects, recognizing local governments' proven capacity to deliver cost-effective solutions to national challenges—from economic growth to climate change to quality-of-life.
- Ensure significant, municipal access to Green
 Infrastructure investment—to scale up local innovation
 to achieve climate adaptation, greenhouse gas reduc tion and other national environmental objectives.
- Ensure eligible project costs reflect the real costs
 of delivering long-term, nation-building outcomes—
 including costs of assessing climate-related risks
 and opportunities; design and planning; and state of-good-repair work.

 Invest in local community, cultural and recreation infrastructure priorities, recognizing the impact of these services on residents' quality of life.

Ensure national programs empower local governments to deliver outcomes through Investing in Canada:

- Launch the proposed Disaster Mitigation and Adaptation Fund, ensuring fair eligibility for municipal infrastructure projects designed to protect communities from natural disasters, extreme weather events, and wide-ranging effects of a changing climate.
- Ensure Trade and Transportation Fund eligibility for municipal projects that support national and regional economic objectives, including infrastructure projects that improve access to strategic trade gateways and corridors.
- Engage FCM throughout the 12-year Investing
 in Canada roll-out to ensure that local action,
 provincial-territorial cooperation, and federal leadership are combining to deliver transformational
 outcomes in communities of all sizes, from coast
 to coast to coast.



Rural, northern and remote priorities

Our federal-municipal partnership has created new opportunities to strengthen the rural, northern and remote communities that are so integral to Canada's future.

Rural, northern and remote communities offer unique ways of life and help fuel our national economy. But many also face formidable challenges providing the infrastructure and services that sustain daily life and commerce. Those challenges intensify for municipalities serving some 150,000 Canadians in our territories and northern regions of six provinces—in the face of new climate extremes, rapid economic change and rugged terrain.

FCM has worked closely with federal officials to champion rural priorities. The Investing in Canada plan's \$2 billion Rural and Northern Communities Fund can support major improvements to transportation, broadband, and water/wastewater systems. We welcome rural and northern funding carve-outs for transportation upgrades and renewable energy transitions in other streams of Investing in Canada. And new investments in affordable housing and broadband access can support local social and economic development.

Together, these steps open a window of opportunity for long-term growth, but to generate real outcomes on the ground, we still need to get the toolbox right.

Getting it right means ensuring infrastructure project selection is flexible enough for small municipalities to support unique local needs. It means streamlining project administration to reflect their financial and administrative realities. It means fair cost-sharing across orders of government to move projects forward—building on the recent federal decision to cover up to 60 percent of project costs for municipalities serving under 5,000 people. National Housing Strategy components will need to accommodate the urgent needs and high construction costs of northern and remote communities. Energy-security funding will need to align with local capacities and priorities.

FCM stands ready to work with this government to ensure federal investments, programs and policies reflect the diverse realities, risks and opportunities of rural, northern and remote communities. Let's work together to help build the kinds of communities where young people choose to stay and raise their families—and where new generations of Canadians come in search of a distinct quality of life, and to make their own lasting contributions.

FCM's recommendations reflect the priorities of our Rural Forum and our Remote and Northern Forum, where members join forces for effective advocacy and research.



"Infrastructure, while critically important in big cities, can also make a real difference in rural communities. It is not only about mass transit systems; it is about roads and bridges."

Finance Minister Bill Morneau May 10, 2016



Ensure the Investing in Canada plan empowers rural, northern and remote communities to move infrastructure projects forward.

- Streamline project application and reporting requirements for smaller communities, recognizing their financial, administrative and demographic realities.
- Take steps to promote smaller communities' access to a full range of investments within the Investing in Canada plan, over and above the Rural and Northern Communities Fund.
- Retain 50% federal cost-sharing for projects under the Rural and Northern Communities Fund (60% for populations under 5,000, and 75% in the territories)—while pursuing fair contributions from provinces.
- Empower municipal associations to work with provinces to define appropriate population thresholds for rural investment eligibility.
- Ensure infrastructure project selection achieves a fair balance between local and provincial-territorial priorities across all Investing in Canada streams.
- Ensure new Trade and Transportation funds support locally-identified priorities—including airport, marine and road projects that promote economic development.
- Ensure new Green Infrastructure funds support locally-identified priorities—which may include updating wastewater and septic systems, tackling climate change, and adapting infrastructure to climate impacts such as flooding, forest fires and other extreme weather events.

Prioritize federal policies that set up rural, northern and remote communities for success:

- Engage FCM in developing a long-term strategy to achieve universal broadband internet access, building on the five-year Connect to Innovate program.
- Ensure sufficient, accessible funding through the National Housing Strategy so smaller communities can repair, retrofit and build social and affordable housing—at scale that meaningfully tackles their affordability challenges.
- Work with FCM to design and apply a "rural lens" to federal programs and policies, reflecting the fiscal and demographic realities of rural, northern and remote communities.

Additionally, to support northern and remote economic development:

- Ensure that National Housing Strategy components recognize the depth of housing need, high construction costs and scarce partner funding that northern and remote communities face.
- Support municipal efforts to strengthen energy security and adopt renewable technologies, including by aligning the \$400 million Arctic Energy Fund and \$220 million Clean Energy for Remote Communities program with real community capacities and needs.
- Ensure communities benefit from upgrades to roads, deep-sea ports and airports, by engaging FCM in the timely and effective rollout of the northern component of the National Trade Corridors Fund.



Extending our partnership

By connecting national leadership with local expertise, our federal-municipal partnership is building a better country—and we're only getting started.

The National Housing Strategy and Investing in Canada plan are the most ambitious nation-building initiatives of our time. Both flowed from unprecedented engagement between our orders of government. And to turn these opportunities into outcomes, we'll need to keep working together to develop, assess and adapt tools to drive forward real projects in real communities.

This collaboration transcends news, political and economic cycles, and even the 12-year horizons of the plans on the table. FCM will be seeking ways to continue regularizing relationships among all orders of government. Because extending our partnership is a key to confronting a growing range of challenges and opportunities on the horizon.

Municipalities, for instance, are on the front lines of legalizing non-medical cannabis. To keep Canadians safe and well-served, they will be administering and enforcing new rules and processes across as many as 17 municipal departments. This is why FCM is seeking stronger engagement across orders of government, plus firm federal assurance that the local costs of implementing this federal commitment will be fully sustainable.

As mayors confront the opioid crisis raging through their communities, they are also laying the path for the coordinated national response Canada needs to expand access to treatment and tackle root causes. Meanwhile, many of those mayors are acting on the Prime Minister's call to strengthen Canada-U.S. relations by building city-to-city relationships across borders.

For two years now, FCM has brought the municipal voice directly to the meeting table of Canada's infrastructure ministers. It's time to extend this formalized engagement to more domains where that local voice matters. And as we do, let's continue to answer the call to prioritize reconciliation with Indigenous peoples.

FCM recognizes that this land's future will be shaped at a four-cornered table that includes all orders of government: Indigenous and municipal as well as federal and provincial-territorial. Each comes to that table with distinct capacities, needs and rights—and each requires unique tools and resources to deliver on objectives, both unique and shared.

In the spirit of partnership, the local order of government stands ready to continue this most important national conversation.



"We are breaking new ground having three orders of government sitting at the same table, talking about shared values, outcomes and goals for our communities."

Infrastructure Minister Amarjeet Sohi, November 22, 2017 (to FCM board of directors)



- Continue engaging FCM in the design, implementation, and ongoing adaptation of the National Housing Strategy and Investing in Canada infrastructure plan, and other major nation-building initiatives.
- Seek new opportunities to formalize the federal-municipal partnership, building on the model of formal municipal engagement with Canada's infrastructure ministers, while exploring permanent new tools that can support progress toward objectives shared by orders of government.
- Ensure all municipal costs related to cannabis legalization are fully and sustainably recovered through federal and provincial/territorial funding mechanisms, including but not only through excise tax revenue sharing—recognizing that local governments are on the front lines of enforcing and administering the regulatory frameworks that will keep Canadians safe and well-served.
- Broaden the current response to the nationwide opioid crisis by leading an intergovernmental dialogue with provinces/territories, municipalities and Indigenous communities toward a coordinated action plan that expands access to treatment while addressing stigma and root causes.

- Coordinate with mayors to strengthen trade relationships, recognizing that Canadian mayors are building relationships with counterparts across borders as they seek investment and promote local industry and businesses abroad.
- Continue to pursue reconciliation with Indigenous peoples—including by working with local governments to better support Indigenous people living off-reserve, and by building on municipalities' frontline expertise and active partnerships with First Nations, Metis and Inuit communities and governments.
- Continue consulting FCM in developing a
 Canadian Poverty Reduction Strategy, recognizing
 municipalities' role as service providers, catalysts for
 change, and convenors of anti-poverty actors, with
 frontline expertise to tailor strategies to the realities
 of low-income residents in their communities.

About us

The Federation of Canadian Municipalities is the national voice of Canada's local order of government.

FCM represents nearly 2,000 member municipalities representing more than 90 per cent of Canada's population. That gives us unparalleled capacity to convene Canada's local order of government, and to help design and implement responsive municipal-federal initiatives.

Municipal leaders work with FCM to express their vision for Canada and collaborate on solutions that boost our economy and quality of life. FCM conducts research and analysis in collaboration with networks of stakeholders. Our policy priorities are set by an elected board of directors comprising municipal officials from communities of all sizes across Canada.

FCM has a track record of constructively shaping federal policy—from the Gas Tax Fund that communities rely on for infrastructure upgrades, to Canada's new National Housing Strategy. This past year, FCM staff and board members connected thousands of times with federal officials at all levels, from policy specialists to the Prime Minister.

FCM also delivers programs empowering municipalities to raise their capacity to deliver local solutions to national challenges. And when urgent needs emerge, FCM coordinates rapid responses—for instance, as 300 municipalities welcomed 35,000 Syrian refugees in 2016, and as our sector assisted Haitian municipalities in the wake of Hurricane Matthew.

Local governments are on the front lines of daily life and commerce.

Canadians who live and work in urban, rural or remote communities benefit every day from the services and infrastructure managed by local governments. Their work drives economic prosperity, promotes citizen engagement and makes our communities livable.

Municipal responsibilities include:

- some 60 per cent of Canada's public infrastructure
- local policing and other services to ensure public safety
- local transportation, including road maintenance and public transit
- public health, including school outreach programs and community vaccinations
- parks, recreation, libraries and culture
- local social services and housing
- water and wastewater services
- waste collection and management, and recycling programs
- sustainability programs and initiatives

Shared municipal-federal priorities include:

- job creation
- economic development
- infrastructure renewal
- immigrant and refugee settlement
- housing affordability
- environmental stewardship including climate change
- partnership and reconciliation with Indigenous peoples
- emergency management
- community safety
- crime prevention
- disaster mitigation

Municipalities are central to Canada's economic success. Whether they are big cities that serve as hubs for business, innovation and tourism, or smaller communities that serve our resource, agricultural and manufacturing sectors, municipalities help drive Canada's long-term prosperity.

FCM's Big City Mayors' Caucus is building pathways to tomorrow's livable, competitive cities.

Canada's cities are engines that propel our country forward, creating local jobs and growth. They are also hubs for innovation, where solutions are found, tested and shared to meet national challenges playing out across the country.

FCM's Big City Mayors' Caucus (BCMC) convenes 22 large Canadian cities, offering a forum for policy development on a range of issues affecting our largest centres. Together, they represent 86 per cent of Canada's big-city population and the largest share of national GDP.

Through BCMC, cities are partnering with the federal government in nation-building. They were among the first governments in the world to acknowledge and respond to climate change. After declaring homelessness a national disaster in 1998, BCMC cities led calls for the National Housing Strategy that ultimately launched in 2017. Now they are leading the drive for a coordinated national response to the opioid crisis. They are building relationships across borders—promoting local business and attracting new investment. And they are pioneering solutions to support newcomers and promote social inclusion.

BCMC mayors regularly coordinate actions to champion Canadians' well-being. They emphasize the importance of public infrastructure, efficient transit and affordable housing as foundations for our economy and quality of life—for seniors, youth and families alike.

"Canada's big cities are tremendously diverse, but we're at our best when we unite as one voice. Because building dynamic, livable cities is both a deeply local process and the heart of Canadian nation-building."

Don Iveson, Mayor of Edmonton and Chair of FCM's Big City Mayors' Caucus

FCM's national and international programs are helping municipalities raise their capacity to tackle major challenges.

For more than 30 years, FCM has partnered with the Government of Canada to deliver an expanding suite of programs. These programs offer funding and knowledge services that help municipalities raise their capacity to build effective local solutions—solutions that simultaneously achieve Canada's domestic and international objectives.

For instance, powered by a \$550 million federal endowment, FCM's Green Municipal Fund continues to support the kind of local innovation that can be scaled up to tackle some of Canada's most pressing environmental and climate challenges.

Since 2013, the Community Economic Development Initiative has catalyzed dozens of municipal-Indigenous partnership agreements on economic development, land management and infrastructure—with more planned over the next five years.

FCM's new Municipal Asset Management Program equips local governments with new tools to generate the best possible outcomes from infrastructure dollars. The new Municipalities for Climate Innovation Program helps local officials integrate climate adaptation and mitigation objectives into long-term infrastructure planning.

Through training and support, Diverse Voices for Change is increasing the number of women from diverse communities who are actively engaged in local government decision-making across Canada.

FCM's international programs are strengthening municipal capacity to deliver services, promote growth and engage citizens—through partnership-based projects in Africa, Asia, Latin America, the Middle East, the Caribbean and Eastern Europe.

FCM acknowledges the program support provided by the Government of Canada, including Infrastructure Canada, Environment and Climate Change Canada, Natural Resources Canada, Global Affairs Canada, Indigenous and Northern Affairs Canada, and Status of Women Canada.





