



A critical time to deliver for Canadians

Municipal recommendations for Federal Budget 2019

FCM

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Message from FCM's president

Finance Minister Morneau,

On behalf of FCM's nearly 2,000 members—cities and communities of all sizes and regions, representing more than 90 percent of all Canadians—I am pleased to present these recommendations for Federal Budget 2019.

Our governments work on the front lines of people's daily lives, while yours connects our local realities to a pan-Canadian vision. To get more done for Canadians, your past budgets have fueled two major 10-year initiatives: the Investing in Canada infrastructure plan and Canada's national housing strategy. Fundamentally, both recognize that empowering local expertise is critical to delivering the quality-of-life outcomes Canadians want.

This next federal budget—the last of your government's current mandate—is a critical time to ensure Canadians see the benefits of our partnership well into the future.

The backdrop of our progress is an outdated fiscal and legislative framework that limits our potential to deliver longer-term results. Canadians are several months into an important conversation about how governments should be working together to serve them. By action or omission, Budget 2019 will mark the federal government's practical statement on the matter.

This is the time to modernize our partnership, to accomplish more for the citizens we all serve. We should start with the step that makes perfect sense to Canadians across the country: bringing orders of government together at one table to tackle national challenges. This doesn't require a constitutional amendment; it requires common sense and political will, expressed in Budget 2019.

At the same time, Budget 2019 should empower municipalities to continue delivering vital outcomes for Canadians—without interruption. This document also summarizes key recommendations to ensure Canadians are better served by modern transit, better protected from new climate extremes, and better connected through reliable Internet access, in communities of all sizes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vicki-May Hamm', followed by a horizontal line extending to the right.

Vicki-May Hamm
Mayor, City of Magog, Quebec
FCM President



Modernizing our partnership

It's time for our governments to come together as full partners—to deliver the best results for the Canadians we all serve.

Every single day, Canadian families and businesses rely on municipal transportation networks, police services, recreation facilities, clean water, sanitation, a vast array of local services, and far beyond. All told, municipalities manage some 60 percent of the public infrastructure that drives our economy and quality of life.

Our work makes people's lives better, and our local solutions have national impact. You see that when we're modernizing transit to boost economic productivity or driving innovation to meet national emission targets. And you see it as we tackle increasingly complex challenges—whether we're confronting addictions and mental health, helping newcomers settle in Canada, or effectively implementing cannabis legalization.

But even as we embrace change, what hasn't changed is an outdated fiscal and legislative framework that limits our potential. Together, we have launched an important conversation about modernizing our fiscal relationship to empower

municipalities to deliver for Canadians. As that dialogue unfolds, there are important steps to take immediately—starting in Budget 2019.

Canadians expect all of their governments to work together to make their lives better. Yet the leaders closest to their daily challenges are rarely at the tables where solutions are negotiated. And 2018 brought fresh reminders that municipal governance rests on the whim of other orders of government.

Respecting Canada's constitutional framework doesn't mean we can't innovate within it. For three straight years, municipal leaders have joined the annual meeting of federal, provincial, and territorial infrastructure ministers. It's time to build on this prototype.

Budget 2019 is the critical time to send a clear signal to the people who elect us. Let's bring orders of government together, putting common sense ahead of jurisdictional silos. Let's place our trust in everyday Canadians—by empowering the governments closest to where they live, work and raise their families.

Recommendations

- ▶ Budget 2019 should announce a clear federal intention and timeline to **launch a new intergovernmental forum for federal-municipal dialogue** that is also open to provinces and territories—to co-develop and advance shared priorities. This should leverage municipalities' frontline expertise to tackle key national challenges—from settling newcomers and addressing housing affordability to advancing transit and infrastructure growth.
- ▶ The federal government should also clarify its readiness to continue a dialogue about a **modernized fiscal relationship** that empowers municipalities with tools to tackle a broad range of locally-defined priorities—efficiently, cost-effectively and with robust planning horizons.

“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.”

Prime Minister Justin Trudeau,
FCM Annual Conference 2016





Keeping Canadians moving with modern transit

Fast, reliable public transit will be the backbone of growing cities, supporting the quality of life Canadians deserve.

People want to spend less time commuting and more time with their families. Businesses value well-serviced cities that attract skilled workers and professionals. We all want to ease traffic congestion—to boost economic productivity and reduce climate-changing emissions.

The federal government has made strides in supporting transit growth through the Investing in Canada plan. Ten years of direct funding allocations are a potent tool, and cities are using it to drive transit expansions that will make life better for workers and families.

But building tomorrow's great cities takes decades of continuous planning, design and delivery. Effective transit expansions must support smart land use and community growth—and pass through complex, vital public consultations. That's why mayors are already looking well beyond 10-year funding tools.

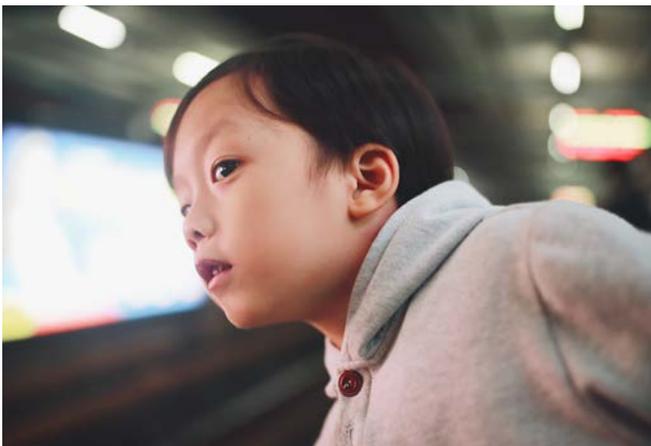
Visionary planning is underway, leveraging technical capacity cities have built for Investing in Canada projects. Montreal has launched a special office to lay groundwork for a Pink Line linking Montreal North and Lachine. Toronto's Relief Line would give residents an efficient way in and out of downtown. Across BC's Lower Mainland, proposed transit projects will better connect workers, students and families. From coast to coast to coast, cities of all sizes are building long-range plans.

But to continue moving forward—without interruption—cities need to know that funds will be there to put plans into action. Budget 2019 is the critical time to cement a permanent federal funding mechanism to grow public transit across Canada.

It's time to show the working families who grow our cities and suburbs that our orders of government are determined to keep Canadians moving.

Recommendations

- ▶ Building on the 10-year Investing in Canada commitment, Budget 2019 should cement a **permanent, direct, allocation-based funding mechanism for modern public transit across Canada.**
- ▶ This new funding mechanism should support a **full range of eligible costs**, including both transit expansions and ongoing rehabilitation of existing assets.
- ▶ To ensure uninterrupted progress, new funding should match the scale of Investing in Canada transit commitments: **0.59 percent of federal budgetary revenues.** For the 10-year period 2028-29 to 2037-38, this allocation would be **\$34 billion, or \$3.4 billion annually.**
- ▶ To maximize outcomes, FCM recommends structuring this next 10-year allocation as follows:
 - \$30 billion over 10 years on an **allocation basis**, distributed 100% based on ridership—with \$29 billion reserved for systems with riderships over a specified threshold, and \$1 billion reserved for smaller systems.
 - \$4 billion over 10 years for a **merit-based** component—available to transit systems of all sizes, to support transformational projects, grow ridership and support rural mobility where an allocation formula does not fully meet local needs.



\$3 BILLION
Economic growth per \$1B
invested in transit

\$15 BILLION
Annual cost of productivity
lost to congestion

2.4M TONNES
GHGs reduced annually now
by transit use

SOURCES: Canadian Urban Transit Association (2010), Canadian Chamber of Commerce (2013), CUTA (2010)





Protecting Canadians from climate change

With the right tools, cities and communities can tackle climate change and protect Canadians from new weather extremes.

Local leaders see and understand the growing effects of climate change first-hand. From floods to ice storms to forest fires, we're responding on the front lines as new weather extremes force families from their homes and wreak havoc on local businesses. The 2016 Fort McMurray wildfire alone displaced 90,000 Albertans and imposed costs of \$3.5 billion.

With influence over half of Canada's greenhouse gas emissions, municipalities are also leading the way on green innovation—from energy retrofits to green fleets to low-GHG waste systems. As a top priority, FCM continues to engage the federal government in an important conversation about new financial tools to scale up local solutions to meet Canada's climate change targets.

As that conversation continues, so does climate change—and the need to protect Canadians from its worst effects. From Edmonton's

comprehensive flood mitigation strategy to Prince George's approach to managing wildfires, municipalities are working hard to keep families and businesses safe.

Building tomorrow's climate-resilient Canada is a deeply local challenge. The federal government recognizes this by investing in local projects—in particular through the Disaster Mitigation and Adaptation Fund. But we know that local needs and solutions far outstrip the Fund's \$2 billion commitment. This will leave worthy projects stuck at the gate—where each dollar invested would save at least \$6 in future recovery costs.

Together, we continue to explore the long-term tools that will empower local governments to lead Canada's climate response—on both emissions and adaptation. In the immediate term, however, Budget 2019 is a critical time to deliver progress for Canadians.

FCM's straightforward recommendation is to expand the Disaster Mitigation and Adaptation Fund to ensure vital local projects move forward—without interruption—to protect Canadians in their homes and communities.

Recommendations

- ▶ To protect Canadians in the immediate term, Budget 2019 should **top up the Disaster Mitigation and Adaptation Fund by \$2 billion** to ensure local adaptation projects continue to move forward without interruption.
- ▶ Recognizing that rural, remote and northern communities are particularly vulnerable to extreme weather, the federal government should **re-evaluate the \$20 million eligibility threshold for Disaster Mitigation and Adaptation Fund projects** so these communities can access critical funding support.
- ▶ Recognizing municipalities' central role in protecting Canadians from the effects of climate change, the federal government should commit to continue working with FCM to explore **longer-term financial tools to strengthen the resilience of our cities and communities.**



\$43 BILLION
Potential annual cost
of climate change by 2050

\$6 BILLION
Costs avoided per \$1B invested
in disaster mitigation

50%
GHG emissions municipalities
have influence over

SOURCES: National Roundtable on the Environment and the Economy (2011), National Institute of Building Sciences (2017), Canada's National Inventory (2015)





Connecting Canadians with fast, reliable Internet

Broadband and wireless Internet access is an essential service that should be available to every Canadian family and business.

High-speed connectivity supports public safety, modern education, quality health care and our everyday quality of life—and supports businesses looking to innovate, expand and compete. Yet two million Canadians cannot access a reliable fixed or mobile connection.

In rural and northern Canada, too many families struggle to connect with the rest of country, and businesses face barriers to growth. In places like Bella Coola, B.C., download speeds average 10 percent of the CRTC's service objective. Many remote communities still rely on dial-up and spotty mobile connections.

FCM has sought and welcomed federal steps that make a difference. The \$500 million Connect to Innovate program and the CRTC's \$750 million Broadband Fund are bringing service to some hard-to-reach areas. And on October 26, federal, provincial and territorial ministers announced

a shared commitment to a national strategy to achieve universal Internet access.

It's time to turn that commitment into real outcomes: fast connections that every Canadian can count on.

When rural and northern community leaders meet, broadband often tops the agenda. These are the public administrators closest to daily life—and the people they represent are sending a clear message.

Rural Canada drives a third of this country's economy, but unlocking its modern potential starts with levelling the online playing field. Until then—for millions living across most of Canada's geographic expanse—efforts to spark growth and a better quality of life always begin several yards behind the starting line.

Budget 2019 is the critical time to launch a bold drive to achieve universal Internet access. This is the moment to recognize that every Canadian is integral to this country's future—no matter where they live.

Recommendations

- ▶ Budget 2019 should launch a **comprehensive national strategy to achieve fast, reliable Internet access** in communities of all sizes.
- ▶ This strategy must set **clear standards and timelines** to achieve the CRTC's speed targets for fixed broadband (50 Mbps download / 10 Mbps upload)—plus a robust new target for rural mobile access.
- ▶ To power the national strategy, Budget 2019 should commit **long-term, predictable funding** for both broadband and mobile Internet expansion—starting with at least **\$400 million per year for 10 years**.
- ▶ Strategic initiatives to achieve universality should **prioritize fast, reliable Internet for rural, northern and remote communities**—guaranteeing access for the hardest-to-serve populations.



2 MILLION

Canadians who can't access a reliable Internet connection

39%

Rural communities with no access to 20-50 Mbps downloads

30%

Rural communities' contribution to Canada's Gross Domestic Product

SOURCES: Canadian Radio-Television and Telecommunications Commissions (2016 & 2017)





Securing progress for Canadians

Strong, continuing federal leadership is required to ensure that current investments deliver the everyday outcomes Canadians expect to see.

National Housing Strategy

The National Housing Strategy has been a groundbreaking response to the advocacy of FCM and mayors on the front lines of Canada's housing crisis. It recognizes that secure, affordable housing is the bedrock of strong cities and communities—where people want to live work, and raise their families. And to succeed, the NHS must continue to systematically engage local governments.

Only local expertise can match housing solutions to real people's needs and ensure projects foster safe, inclusive and livable cities and communities. Housing solutions also need to support local

efforts to tackle evolving challenges—from addressing mental health and addiction through supportive housing to absorbing new pressures from cross-border asylum seekers. For example, Vancouver's comprehensive housing strategy aims to create 72,000 new homes over 10 years, of which 12,000 would be social, supportive or co-op housing.

Local governments stand ready to turn this major federal commitment into the best quality-of-life outcomes for the Canadians we all serve.

Recommendation

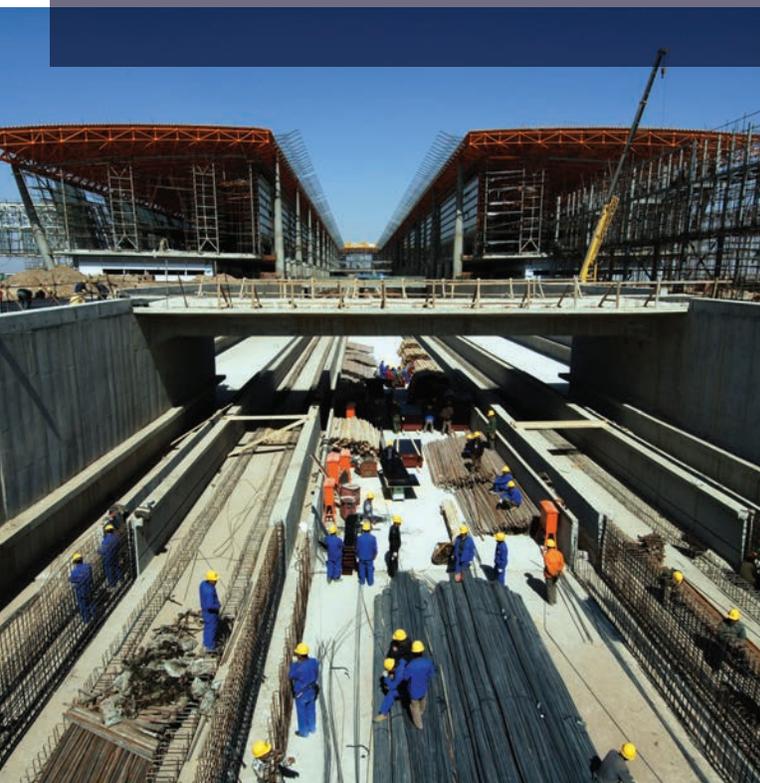
- ▶ Ensure federal components of the National Housing Strategy are accessible and leverage municipal expertise to meet pressing and evolving local needs—getting much-needed investment to projects that cities, communities and housing proponents are ready to build.

Investing in Canada

The federal government has signed infrastructure agreements with every province and territory—formalizing commitments to help move local projects forward. These include increasing federal and provincial contributions to project costs to at least 40 percent and 33 percent respectively. Now we need to ensure project intake processes achieve the commitment to fund a fair balance of local and provincial/territorial priorities.

Recommendation

- ▶ Ensure full implementation of integrated bilateral agreements—including commitments to fund a fair balance of municipal and provincial-territorial priorities.



Non-medical cannabis

Local governments are on the front lines of cannabis legalization. Specifically to support new municipal costs, the federal government released an additional 25 percent of cannabis excise tax revenues to provinces and territories—but more than a year later, only a handful have followed through. FCM urges renewed federal leadership to ensure municipalities have the financial tools to keep Canadians safe and well-served.

Recommendation

- ▶ Ensure municipalities have the financial tools to cover operational and enforcement costs of cannabis legalization—keeping Canadians safe and well-served, and keeping local taxpayers whole.





About FCM

The Federation of Canadian Municipalities is the national voice for Canada's local governments.

FCM brings together nearly 2,000 municipalities of all sizes, representing more than 90 percent of Canadians. That gives us unparalleled capacity to convene Canada's local order of government, and to help design and implement municipal-federal initiatives that improve the lives of Canadians.

Municipal leaders work with FCM to collaborate on solutions that boost our economy and quality of life. We have a track record of constructively shaping federal policy—from the Gas Tax Fund to Canada's \$180 billion federal infrastructure plan. Every year, FCM staff and its elected board of directors connect hundreds of times with federal officials at all levels, from policy specialists to the Prime Minister.

We're driving local solutions to national challenges.

FCM's Big City Mayors' Caucus (BCMC) convenes 22 large Canadian cities. BCMC mayors meet to drive action on national challenges—from affordable housing to cannabis legalization. Through BCMC, cities are partnering with the

federal government to build tomorrow's Canada. For more than 30 years, FCM has partnered with the Government of Canada to deliver national and international programs. These programs are building municipal capacity on everything from climate resilience to reconciliation with Indigenous peoples.

FCM's Municipal Asset Management Program helps communities optimize their long-term planning and make infrastructure dollars go further. FCM's Green Municipal Fund and Municipalities for Climate Innovation Program provide funding, training and tools to local sustainability leaders.

FCM's international programming brings Canadian expertise to countries in Africa, Asia, Latin America, the Middle East, the Caribbean and Eastern Europe.

In 2018, FCM launched a pair of new initiatives. In partnership with Maytree, The Urban Project convenes mayors and thought leaders from the public and private sectors to generate bold new approaches to 21st-century challenges. And in partnership with Status of Women Canada, FCM's new Toward Parity initiative is working to achieve equal representation of women in local government and politics.

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

Canadians 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% of Canada's public infrastructure
- ▶ local policing and other public safety services
- ▶ local transportation, including roads and 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, management and recycling
- ▶ sustainability programs and initiatives

Shared municipal-federal priorities include:

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

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.



THE
URBAN
PROJECT

LE
PROJET
URBAIN

Cities are on the front lines of the most complex challenges of 21st century life. Launched in November 2018, this bold new initiative convenes thought leaders from government, civil society, industry and academia to drive innovative solutions.

The Urban Project is a partnership of FCM and Maytree, with support from TD Bank Group, the Metcalf Foundation and the McConnell Foundation—with participation from the University of Toronto School of Cities and the Institute for Municipal Governance and Finance.

We are inviting federal partnership in this important forward-looking initiative.



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