



August 5, 2016

Members of the Standing Committee on Finance  
c/o Ms. Suzie Cadieux, Clerk  
131 Queen Street, 6th Floor  
House of Commons  
Ottawa, ON  
K1A 0A6

Dear Finance Committee Members:

On behalf of the Federation of Canadian Municipalities (FCM) and its 2,000 members representing more than 90 per cent of Canada's population, I am pleased to share an overview of the priorities Canadians have for their cities and communities and would like to see reflected in the next federal budget. We will also be delivering a more comprehensive submission to the Committee during its pre-budget hearings in the fall.

Municipalities drive Canada's economy, and are hubs for innovative solutions to environmental and social challenges. Budget 2016 recognized this, marking a historic turning point in the relationship between the federal and municipal orders of government, pledging an unprecedented level of investment in our cities and communities, and setting the stage for a new era of partnership.

With 80 per cent of the infrastructure money in Budget 2016 still unallocated, the biggest nation-building decisions lie ahead of us. The upcoming 2017 Budget is a unique opportunity to turn last year's commitment into a lasting plan, and set the foundation for the Canada of tomorrow -- with world-class transit, housing we can afford, and action on climate change. This can be achieved through a lasting framework of stable, predictable funding that allows municipalities to direct resources to projects which offer the best return on investment.

### Investments in Nation Building

The government has underscored that investing in infrastructure is about unlocking people's potential—as workers, as innovators, and as contributing members of exceptionally livable communities across Canada.

Investing in municipal infrastructure will help the government of Canada achieve its central priorities: boosting Canada's economic growth and potential; fostering innovation; and mitigating and adapting to climate change.

**President  
Président**

Clark Somerville  
Councillor  
Regional Municipality of  
Halton, ON

**First Vice-President  
Première vice-présidente**

Jenny Gerbasi  
Councillor  
City of Winnipeg, MB

**Second Vice-President  
Deuxième vice-présidente**

Sylvie Goneau  
Conseillère  
Ville de Gatineau, QC

**Third Vice-President  
Troisième vice-président**

Bill Karsten  
Councillor  
Halifax Regional  
Municipality, NS

**Past President  
Président sortant**

Raymond Louie  
Acting Mayor  
City of Vancouver, BC

**Chief Executive Officer  
Chef de la direction**

Brock Carlton  
Ottawa, ON

24, rue Clarence Street,  
Ottawa, Ontario, K1N 5P3

T. 613-241-5221  
F. 613-241-7440

www.fcm.ca



Businesses need good roads and safe bridges to deliver goods and services. Commuters need fast, efficient transportation networks to get to work. Companies that are growing count on vibrant community services to attract skilled workers, and all Canadians need adequate and affordable housing.

### **Working Together to Ensure Success**

To ensure that the government's investments work for Canadians, getting the funding mechanism right for Phase 2 of the infrastructure plan will be as crucial as delivering on the funding itself. Predictable, flexible funding models that leverage local expertise and decision-making will help municipalities direct funds to the projects that are most needed, and which offer the best return on investment for Canadians and our economy.

Canadians know that cities and towns will drive the next wave of clean public transit, inspired common spaces and efficient public buildings. This is why most new federal infrastructure funding should come via predictable transfers to the level of government closest to Canadians' day-to-day lives. Remember: transfer-based funding does not mean "no strings attached" – it means valuing and leveraging local expertise to choose the best projects within a broad federal vision.

Municipal officials are smart planners and efficient managers. They have built and run two-thirds of Canada's public infrastructure with a relatively small tax base. Imagine what could be accomplished with a reliable stream of resources. That is exactly the type of nation-building partnership Canada needs, and this will help ensure taxpayers' money is well spent.

### **Triple-Bottom-Line Transit Investments**

Better transit means shorter commutes, more growth and lower emissions. That's why Canada's mayors are so eager to continue working with your government to ensure our transit systems are truly world class.

Already, every dollar spent on public infrastructure generates more than \$1.60 in real economic growth, and every \$1 billion spent creates 18,000 jobs. Predictable investments in core municipal infrastructure areas such as transit are vital to keeping goods moving and businesses operating. Improving public transit, for example, will reduce gridlock and recoup tens of billions in lost productivity, while also helping reduce Canada's greenhouse-gas (GHG) emissions.

Through committing to unprecedented levels of investment in public transit, Budget 2016 set the table for transformative work to make our cities more livable and strengthen our economy. Budget 2017 must ensure that the program design will enable this significant investment to meet this potential. Phase 2 transit funding should build on the success of Phase 1 and use a predictable allocation transfer model toward a target of a 50 per cent federal contribution. Municipalities are best placed to direct funding to the most urgent priorities. The program should also consider an additional mechanism to target funding to capital projects designed to grow transit ridership and build out transit systems.

FCM also urges the government to expand criteria for Phase 2 transit projects to include costs that are still not eligible for federal funding. Federal funding should apply toward a project's full capital cost, including land acquisition, P3-specific design and legal costs; and long-term capital-related financing costs, including in availability payments to P3 partners.

### **Affordable Housing for all Canadians**

There's a housing crisis in this country: Housing is less affordable at every income level, Canada's social housing stock is vulnerable, and people are looking to all orders of government for solutions. As part of the answer, Canada's mayors welcome the federal commitment to a national housing strategy—and they're ready to help make it happen. But first, we need more dedicated funding for housing from this government. Any infrastructure plan built to last simply must include a substantial, long-term carve-out for meaningful progress towards a long-term solution. Without adequate dedicated funding, we can't protect social-housing units as federal operating agreements expire, which means we can't protect the most vulnerable households in our cities.

Affordable housing for newcomers, young families, the middle class, and seniors is key to a healthy community. Yet, one in five renters spends more than half their income on housing. All levels of government need to work together on this challenge. Municipalities are investing in housing and leading initiatives to boost the supply of affordable rental units, but they are looking to the federal level for renewed leadership.

Together we can create vibrant communities where people want to live and work, start businesses, build connections and contribute. Investing now makes economic as well as human sense: The housing sector represents 20 per cent of Canada's GDP. Every \$1 billion invested will grow the economy by \$1.4 billion, and generate up to 13,000 direct and indirect jobs.

### **Empowering Municipalities to Help Tackle Climate Change**

Canada's municipalities are already leading the way with green innovation that creates jobs and growth, while confronting the generational challenge of climate change.

Municipalities influence around half of Canada's GHG emissions. They also are driving some of our most systemic low-carbon practices – from high-efficiency buildings to district heating, from public transit to near-zero GHG waste plans. Some of the greatest potential for reducing Canada's GHG emissions lies in local priorities like transit, building retrofits, active transportation, and improved municipal water and waste management.

Municipalities are also on the front lines of dealing with climate change, including flooding, forest fires and other extreme weather events, as new patterns increasingly cause property damage and economic disruption. Major cities and smaller communities are preparing for more extreme weather, by assessing risks and developing plans to harden public infrastructure. But they need strong federal partnership, as adaptation requires unique expertise and resources.

Local projects offer cost-effective GHG reductions and generate community-level economic, social and environmental benefits that are much greater than the initial investment. By providing predictable funding to municipalities, the federal government can use its investments to leverage local expertise and scale-up the most cost-effective emissions reductions.

Together, we can help leave our children and grandchildren a healthier planet, while creating jobs in green technology and saving Canadians money.

### **Ensuring a Thriving Rural Canada**

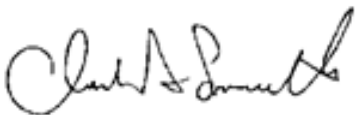
Rural communities are central to Canada's economic, social and environmental health. Infrastructure spending has to benefit communities of all sizes if we are to reach our full nation-building potential.

We need to upgrade rural infrastructure in order to get goods to market, protect rural waterways, and attract residents and businesses. To do so, Phase 2 should build on the proven Small Communities Fund to support more locally prioritized rural infrastructure projects.

A new Small Communities Fund should provide a dedicated stream of investment in the capital priorities of rural and small communities; not just roads and bridges, but also water and wastewater treatment, and upgrades to defective septic systems. And, it should help make transportation easier in rural areas.

Budget 2016 was a turning point and has created the winning conditions for a meaningful partnership between all orders of government. Getting the next step right is even more important for Canada's future. With Budget 2017, let's deliver on this potential, and continue working together to build this great nation.

Sincerely,

A handwritten signature in black ink, appearing to read "Clark Somerville". The signature is fluid and cursive, with a large initial "C" and "S".

Clark Somerville  
Councillor, Regional Municipality of Halton, ON  
FCM President