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August 12, 2011

Members of the Standing Committee on Finance
c/o Ms. Guyanne L. Desforges, Clerk
131 rue Queen Street, 6th Floor
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Finance Committee Members:

On behalf of the Federation of Canadian Municipalities' (FCM's) more than 1,900 member municipalities, I am pleased to share our views with you on the next federal budget. We will deliver a more comprehensive submission to the Committee during its pre-budget hearings this fall.

Canada has been a leader in fighting the global economic downturn. Together all orders of government have taken coordinated action to create jobs and protect families and businesses. Now, as growing uncertainty again threatens world markets, the Government of Canada must continue working with cities and communities to strengthen our economic foundations and protect our quality of life.

Although stimulus spending is over, Canada must build on the Economic Action Plan's (EAP's) successes. The EAP overcame barriers to common sense cooperation that too often keep governments from working together. By the end of this year, municipalities will have built and helped pay for \$10 billion in EAP projects. In doing so, our communities are creating 100,000 jobs and meeting 50 per cent of the plan's total jobs target.

The EAP came on the heels of other positive changes in the federal government's relationship with cities and communities. In the last few years, federal investments have helped municipalities put police on the streets, repair social housing, and rebuild the roads, bridges, water systems and public transit Canada needs to support families, businesses and long-term economic growth.

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Ottawa's growing collaboration with municipalities has produced policies and programs that deliver better value for Canadians. The Building Canada Plan and permanent Gas Tax Fund are examples of the long-term funding tools the country needs to properly maintain infrastructure over 30, 50, and even 70-year lifespans. The government has also worked closely with municipal officials to cut red tape, streamline funding approvals and develop strong, practical environmental regulations.

With recent investments, the federal government has helped municipalities repair some of the damage done to our communities by many years of underinvestment and downloading. We cannot afford to lose that ground.

For decades municipalities have struggled to meet growing responsibilities, including many downloaded by other governments. Without a share of the income and sales taxes generated by new growth, communities have been forced to raise property taxes, cut core services and, most often, put off infrastructure repairs. The resulting infrastructure deficit is bad for families, businesses and our economy.

The danger signs are all around us: traffic gridlock, crumbling roads and bridges; rising policing costs; and a housing shortage that puts new jobs out of workers' reach. From St. John's to Montréal to Victoria, the symptoms vary, but the cause is the same: a tax system that has taken too much out of our communities and put too little back in.

Forty per cent of current federal investments in municipalities are scheduled to expire by 2014. These are not one-time stimulus dollars – they are core investments to repair roads, house low-income seniors and keep police on our streets. These investments must be protected and put on a long-term track.

In Budget 2011, the government committed to work with municipalities, provinces, territories and the private sector to develop a new long-term federal infrastructure plan. The new plan will give Canada the opportunity to end the long decline in its municipal infrastructure, improve public transit, and fight traffic gridlock. By expanding its collaborative, long-term approach, we can achieve other important national objectives as well, including:

- **Supporting front-line policing and community safety.** During the past 30 years, an unsustainable share of Canada's policing costs have been shifted on to municipalities, either through direct downloading or the inability of the RCMP to fulfill its full responsibilities. Today, municipal property taxpayers pay close to 60 per cent of Canada's total policing bill – costs that are crowding out other investments in roads, bridges, public transit and community services.

The federal government must continue supporting front-line policing as part of its law and order agenda, committing to renew soon-to-expire funding, stop all future downloading, and increase cooperation among national, provincial, and municipal police forces to deliver the very best value for every dollar invested fighting crime.

- **Fixing holes in Canada's housing system:** Rising housing prices and rental shortages are making it difficult for communities to attract the workers they need to support the national economy. Meanwhile, tens of thousands of families, senior citizens and new immigrants struggle to find adequate, affordable shelter. Chronic homelessness continues to put an unsustainable burden on taxpayer-funded police forces, emergency rooms and social services.
- Federal investments must go beyond two- and three-year funding cycles and support longer-term provincial, territorial and municipal housing strategies. As a first step, the government should introduce tax incentives to increase the construction of new rental units across the country, and renew soon-to-expire affordable housing programs and subsidies.

Better planning, partnerships and programs: these are trademarks of smarter government. That's the kind of government we'll need if Canada is to create jobs, protect core services and balance its budget deficit in a tough global economy.

In Budget 2012, the federal government must build on the intergovernmental partnership that has breathed new life into our aging infrastructure and pulled us through the darkest days of the global recession. Together, we can tear down the silos that still stand in the way of serving taxpayers – and build a stronger, safer Canada.

Yours sincerely,



Councillor Berry Vrbanovic
President

VB/gm:sd

FCM PRE-BUDGET RECOMMENDATIONS

In Budget 2011 the Government of Canada committed to work with municipalities, provinces, territories and other stakeholders to develop a new long-term federal infrastructure plan. The new plan will give Canada the opportunity to put an end to the long decline in its municipal infrastructure.

By expanding this collaborative, long-term approach, and engaging the private sector where it makes sense, we can achieve other important national objectives as well.

Specifically, FCM is calling on the Government of Canada to:

1. Develop a long-term federal infrastructure plan

- Renew the soon-to-expire Building Canada Fund
- Index the federal Gas Tax Fund to keep up with population and economic growth
- Renew recently expired dedicated federal funding for public transit; set targets for cutting commute times; and establish timelines for filling strategic gaps in Canada's transportation system
- Pay the federal share of any new infrastructure costs downloaded onto municipalities
- Dedicate infrastructure funding for rural, remote, and northern communities and set appropriate population thresholds

2. Support Front-Line Policing and Community Safety

- Replace the soon-to-expire Police Officer Recruitment Fund and set dedicated funding levels for front-line policing in the long-term fiscal framework
- Support front-line programs that attack the causes of crime and stop troubled youth from becoming career criminals
- End federal downloading on to municipal property taxpayers as it occurs in federal-municipal policing contracts or as a result of the RCMP's inability to fulfill its core responsibilities

3. Fix the Holes In Canada's Housing System

- Support long-term provincial, territorial, and municipal housing strategies
- Introduce tax incentives to increase the number of new rental units built every year
- Renew expiring federal housing programs and subsidies
- Legislate 10-year targets for construction and repair of the housing Canada needs to support its economy and reduce the burden of chronic homelessness on taxpayer-funded emergency and social services