Saskatchewan Association of Rural Municipalities
200 – 2221 Cornwall Street Regina, SK | S4P 2L1 | (306) 757-3577 | sarm.ca

FEDERAL BUDGET 2015:

Funding Priorities to Address the Needs of Rural Saskatchewan

August 2014

Submitted for consideration by The Saskatchewan Association of Rural Municipalities (SARM)

THE VOICE OF RURAL SASKATCHEWAN

Saskatchewan Association of Rural Municipalities

200 – 2221 Cornwall Street Regina, SK | S4P 2L1 | (306) 757-3577 | sarm.ca

Executive Summary

The House of Commons Standing Committee on Finance is currently consulting with stakeholders seeking recommendations relating to federal program spending in the 2015 federal budget. The Saskatchewan Association of Rural Municipalities (SARM) believes that, with targeted regulatory changes and re-alignment in funding, rural municipalities will be much better equipped to face their greatest challenge; providing safe and reliable infrastructure for residents in order to foster economic growth.

SARM is an independent association, which represents all 296 of Saskatchewan's Rural Municipalities (RMs). Membership is voluntary and our strength comes from our membership whose collective voice guides us on policy.

Industries thriving in rural areas include natural resource, manufacturing and agriculture. These industries depend on access to reliable and well-designed road infrastructure that will allow them to efficiently reach their suppliers and markets. Transportation infrastructure, therefore, is one of the areas in greatest need of federal support. SARM believes that targeted funding by the federal government will help to improve this infrastructure and create jobs and economic growth in rural communities.

Recent natural disasters have translated into unanticipated infrastructure related expenses for municipalities. Federal funding to municipalities for disaster related mitigation and recovery is also necessary to ensure the continued survival and livelihood of our communities.   Subsequently, the *Disaster Financial Assistance Arrangement Regulations* are in need of amendment to better utilize the funding available and make subsequent provincial and territorial programs more equitable.

Federal Funding for Rural Municipal Infrastructure: New Building Canada Fund

SARM was pleased that the New Building Canada Plan was formally released following the last Federal Budget. Municipalities will benefit from indexed payments through the Gas Tax Fund, a $10.4 billion commitment under the Goods and Services Tax rebate for municipalities, and stand to benefit from the $14 billion over 10 years that was allocated to the a New Building Canada Fund (NBCF)that is included in the fund.

Rural municipalities (RM) will be looking specifically to the Provincial-Territorial Infrastructure Component (PTIC), which includes funding for National Regional Projects (NRP) and a Small Communities Fund (SCF) for adequate, long-term, predictable funding to construct and revitalize strategic pieces of economic corridors of rural roads and bridges. Unfortunately, we believe that under the current program guidelines, RMs in Saskatchewan will have little opportunity to benefit from the NBCF funding.

RMs in Saskatchewan are relatively unique in that they have small populations, large land bases, and a growing responsibility for the country's exports. Resource based industries, which are vital to the Canadian economy as a whole, depend on rural roads and bridges for the safe and efficient transportation of personnel, inputs, and to transport goods to market. Without adequate funding RMs are less likely to be able to afford to keep up and build, as needed, the safe and efficient infrastructure to support these economic drivers.

With respect to the NIC, the current priority projects for RMs in Saskatchewan will likely never amount to a 'nationally significant project' as required for funding under this component. When analyzing the limited information available to us on Saskatchewan's PTIC – NRP, rural roads and bridges that support our economic drivers are unlikely to qualify for funding as they would not be classified as nationally and regionally significant nor are would they be medium – large scale in nature. These rural roads, along with the majority of provincial highways across the province, would not see an average annual daily traffic volume (AADT) of 3,000 vehicles per day (vpd).

Based on our correspondence with the Federal Government, we understand the definition of a 'major road' under the SCF is either a road with an AADT of at least 3,000 vpd or one that supports natural resource development opportunities. While we are glad that resource roads were included in the definition, the SCF population threshold is still too high for provinces such as ours where all but two of our urban centers have populations of less than 100,000. RMs will be competing with, essentially, the rest of the province for the 10% of funding allocated from the PTIC.

In order to ensure that funding under the NBCF supports Canada's economic drivers, SARM would like to recommend that:

1. **Applications to the NIC and PTIC-NRP for road and bridge infrastructure that supports our natural resource sector be considered both nationally and regionally significant and weighted accordingly.**

SARM

Saskatchewan Association of Rural Municipalities
200 – 2221 Cornwall Street Regina, SK | S4P 2L1 | (306) 757-3577 | sarm.ca

Natural Disaster Mitigation and Recovery: Better Utilizing Scarce Resources

SARM commends the Federal Government for allocating $200 million over five years to establish a National Disaster Mitigation Program (NDMP) to build safer and more resilient communities. A federal program specifically focused on mitigation efforts has the potential to reduce repetitive outputs through recovery programs, such as those funded through the Disaster Financial Assistance Arrangements (DFAA). Funding for both certain structural and non-structural mitigation projects will reduce the likelihood of initial and repeat losses from disaster events.

To ensure that mitigation projects are strategically and effectively undertaken, SARM recommends that:

1. **Both structural and non-structural mitigation projects should be funded under the NDMP. Non-structural projects eligible for funding under the NDMP include the development of flood mitigation strategies; these would likely include baseline data gathering (e.g. hydro-mapping), engineering and planning support, and feasibility studies. Structural projects including dykes, costs associated with raising properties, and channels dug for flood protection are eligible for NDMP funding.**

With respect to the Disaster Financial Assistance Arrangements (DFAA), we understand that the Federal Government plans to consult with provinces and territories on changes to the funding formula which has not been updated since the program was introduced in 1970. We are pleased to hear that discussions will take place on the current DFAAs as the costs currently considered eligible for reimbursement by municipalities are, in some instances, inadequate and unfair.

The provincial and territorial governments design, develop and deliver programs to provide financial assistance to those that have experienced disaster related losses based on DFAA Guidelines, which clearly set out what costs are eligible for cost-sharing with the federal government. Under the Guidelines, only overtime wages for equipment operators are eligible for funding and public equipment costs may be claimed at only 40% of the current heavy equipment rental rate in the respective province for heavy equipment (excluding operator wages and depreciation); however, the full wages of contracted private-sector operators and incremental equipment costs paid to contractors are eligible for compensation. In addition, municipal-owned gravel, which is a quickly depleting resource, is not considered a recoverable expense.

As a result of these issues, SARM recommends that:

1. **The Federal Government undertakes a thorough review of the DFAA Guidelines, with input from the provincial and territorial governments and that the Guidelines and/or applicable legislation and regulations be updated to ensure compensation rates for use of public equipment for all hours of emergency operation to a level comparable with the eligible rates for private contractors and that compensation for the regular wages of municipal employees undertaking disaster related work in p lace of regular responsibilities be made eligible. Additionally, that municipal-owned gravel is a recoverable expense for municipalities.**