

**Written Submission  
for the Pre-Budget Consultations  
in Advance of the 2021 Federal Budget**

**By: The Federation of Canadian Municipalities**

## Recommendations:

- **Recommendation 1:** That the government build a more prosperous Canada by strengthening core infrastructure, housing and transit to create more livable, inclusive and sustainable cities and communities.
- **Recommendation 2:** That the government build a more resilient Canada by scaling up proven federal programs that support municipal leadership on GHG reduction and climate adaptation.
- **Recommendation 3:** That the government build a more connected Canada by moving faster to bring reliable Internet to all Canadians and by supporting communities facing economic uncertainty.

Dear Finance Committee Members:

The Federation of Canadian Municipalities (FCM) unites and convenes 2,000 municipalities across Canada, representing more than 90 percent of Canadians. Our membership consists of urban, rural, northern and remote communities of all sizes. On behalf of our membership, I am pleased to share this overview of local priorities ahead of Budget 2021.

The COVID-19 pandemic has turned life in Canada upside down. Seemingly overnight, businesses and industries were shuttered, our economy suffered a severe setback, and millions of Canadians were confined to their homes. Across the country, cities and communities have been on the front lines of it all, working to keep vital municipal services running strong.

FCM commends the federal government for both its commitment to collaboration throughout this pandemic, and its leadership thus far. Municipal leaders, working alongside their federal, provincial and territorial counterparts, were instrumental in driving the recent “safe restart” funding agreement. This agreement provides crucial upfront relief for the municipal financial crisis that threatens frontline services Canadians rely on—and our economic recovery.

COVID-19 has shown how vulnerable we can be as individuals, as communities, and as a country. So a return to the status quo simply isn't enough. What's needed now is a different approach—a bold and creative recovery plan that brings our country back stronger than ever. Municipal leaders envision a Canada that's more prosperous, resilient and connected. At its core, this Canada must be inclusive—so that every community and every Canadian has the opportunity to thrive.

The path to recovery will require unprecedented collaboration among orders of government, with cities and communities directly at the table. Municipalities have a long track record of delivering results efficiently and effectively, and we're already taking steps to help get this country back on its feet. Our frontline expertise is key to ensuring nationwide recovery efforts drive concrete results on the ground, for Canadians.

### **Building a more prosperous Canada for all**

Stimulating the economy will be essential to getting Canadians working again. As a proven stimulus strategy, investing in infrastructure will be an important part of this effort—and municipalities own 60 percent of Canada's core public infrastructure. But infrastructure is about much more than economic stimulus. It's the foundation of the livable and inclusive communities we strive to build. From public libraries to community centres, affordable housing to transit, the infrastructure and services municipalities provide help ensure all Canadians can participate fully in our economy, with the quality of life they deserve.

The Investing in Canada Infrastructure Plan (ICIP) launched in Budget 2016 empowers municipalities to build better lives for Canadians. Budget 2019's one-time doubling of the federal Gas Tax Fund (GTF) went further by doubling down on the proven direct allocation funding model. Since then, municipalities have used GTF funds to drive community-transforming projects nationwide—from a renewed aquatic centre in Cariboo, BC to a new sustainable energy strategy in Victoria, PEI. Going forward, unlocking unused federal funding and scaling up the GTF-style funding model will enable cities and communities to get job-creating projects off the ground faster—while making our communities more livable and inclusive for years to come.

The pandemic has underscored the need to rethink what prosperity means for Canadians. More than just an economic index, prosperity is a lived experience. It means having the foundational sense of security we all need to raise families, start businesses and contribute to our communities. Few things impact this security more than a decent roof over one's head. Even before COVID-19 hit, Canadians faced a housing affordability crisis: a growing disconnect between rents, home prices and income levels. It's a crisis that limits prosperity and exacerbates inequality in our cities and communities.

The 10-year National Housing Strategy (NHS) was a game-changing federal initiative—FCM is proud of its role in shaping it. And while the strategy is not without implementation challenges, this is no time to dial back. COVID-19 presents an opportunity to continue making ambitious inroads into tackling Canada's housing crisis. From accelerating funding allocations to improving decision-making to increasing flexibility (such as through the rapid deployment of modular housing) filling critical gaps in the NHS means securing the foundation for tomorrow's livable, competitive and sustainable Canada.

The pandemic has further exposed the fragility of Canada's housing system. Those without housing faced the biggest challenges with social distancing, while households that struggled to pay rent before and have since lost income now face even more risk. Paradoxically, the pandemic has also created a once-in-a-generation opportunity. As private landlords struggle with lost income, commercial buildings see tenants close or scale back, and some hotels and motels close due to significant drops in tourism, some of these properties will come up for sale. With federal support for their acquisition and repair, they can be transformed into supportive or affordable housing for those experiencing homelessness as well as secure, modestly priced rental housing—owned and operated by community housing providers. Not only would this help ground more Canadians in a home they can afford, this approach would be more cost-effective in the long-run and create recovery-boosting jobs through the repair and energy-retrofit of acquired units.

Of course, infrastructure and housing are not the only building blocks of a more prosperous, livable and inclusive post-COVID Canada. As we saw this spring, even as local economies ground to a halt, our transit systems were there for essential workers. Modern and affordable transit is a backbone of livable cities—as well as of any decent climate strategy. This is why the federal government launched the allocation-based public transit stream of the Investing in Canada Infrastructure Plan. This game-changing investment has enabled major, overdue system expansions in cities across the country—but city planners are now bumping into its 2027 sunset timeframe.

Modernizing transit holds great potential for delivering on multiple bottom lines. Rolling ICIP's transit stream into the promised Permanent Transit Fund can kick off a new wave of job-creating, growth-driving system expansions for cities and communities nationwide, and expand access to underserved communities. Not only that, layering on additional investment to accelerate transitions to zero-emission transit vehicles (ZEV) will support more manufacturing jobs while reducing carbon emissions further and faster.

## **Building a more resilient Canada**

COVID-19 has reminded us all of just how vulnerable we are. Within weeks, a single unanticipated shock put our world on hold. Canadians lost jobs, homes, savings and businesses. Municipalities of all sizes faced insolvency. As we slowly emerge from this crisis, becoming more resilient to the next shock—be it a second wave of COVID-19, a natural disaster, the effects of climate change, or something else—becomes imperative. We'll also need to look seriously at how to make cities and communities more financially resilient by modernizing local tools and authorities.

The task of protecting Canadians starts locally. Cities and communities are the first line of defence, which makes municipal leaders a natural and effective partner for building greater resilience into our lives. Recovering from the economic impact of COVID-19 presents a historic opportunity to tackle another global crisis—climate change. By working together in areas where municipalities are already leading the way, we can kickstart our economy now and become better prepared for the future.

Since 2000, FCM's federally-endowed Green Municipal Fund (GMF) has brought to life more than 1,300 local sustainability initiatives, cutting 2.5 million tonnes of GHG emissions and creating 10,000 person-years of employment. Budget 2019 doubled down on this success by investing an additional \$950 million in GMF, primarily for residential energy efficiency retrofits. The program is now on target to deliver 25 percent of that funding this year. Across all funding streams, demand for funding far outstrips maximum annual allocations. GMF is stepping up to meet that demand by maximizing the reach of existing funding while maintaining fund sustainability, including accelerating annual allocations to meet sector demand. This demonstrated ability to rapidly scale up and deliver outcomes confirms that GMF is ready to do even more to support economic recovery and deliver tangible environmental benefits—while helping to meet Canada's climate goals.

Scaling up the Disaster Mitigation and Adaptation Fund (DMAF) is another way to deliver better resiliency outcomes across Canada. Since 2018, DMAF has empowered municipal governments to build more climate-resilient communities. It's helped the City of Saint John's bolster its flood mitigation strategy, and communities throughout northern Saskatchewan better prepare for wildfires. The challenge is DMAF's scale. A full 60 percent of the 10-year program's \$2-billion was allocated in its first application process alone. We already know that every \$1 billion invested in local adaptation represents \$6 billion in future savings. By scaling up DMAF and optimizing it to better support projects in communities of all sizes, we can quickly drive post-pandemic job creation and help more communities prepare for extreme weather events.

## **Building a more connected Canada**

For millions of Canadians, months of social distancing brought into sharp focus our deeply human, social and economic need for connection. Neighbours, friends and family were suddenly off limits. Working from home meant drastically reimagining how we work, study and interact. But even before the pandemic hit, there was a growing disconnect among segments of the population. Western Canada faced a significant economic downturn. Across the country, rural, remote and northern communities faced unique challenges that inhibited their ability to reach their full economic potential. As the national voice for local governments, FCM brings together

incredibly diverse cities and communities of all sizes, and we have begun tackling these challenges on the front lines.

The nation-building recovery before us will only succeed if it includes communities of all sizes. That starts by remedying the critical disadvantage so many smaller communities faced this spring—the lack of reliable high-speed Internet. FCM has worked closely with the federal government to make important progress on closing Canada’s digital divide, but communities still need to see results on the ground. That means moving faster to bring reliable Internet connectivity to every Canadian, no matter where they live.

Driving a more inclusive recovery also means bringing Canada’s regions together. Last fall, FCM created its Western Economic Solutions Taskforce (WEST) to help do exactly that. WEST brings together rural and urban municipal leaders to help support struggling communities. April’s \$1.7 billion federal investment to clean up orphaned and inactive oil and gas wells was a direct response to one of WEST’s key recommendations. The federal government should continue seeking out frontline municipal expertise to find solutions for communities facing economic uncertainty.

Canada’s federal-municipal partnership has made tremendous progress in recent years. Now we face our greatest challenge yet—and our biggest opportunity: to emerge from COVID-19 stronger than ever. We’ve seen what orders of government are capable of when we work together. Municipal leaders are ready to work as partners, and we’re ready to get to work. Because we’re still in this together.

Sincerely,

A handwritten signature in black ink that reads "Bill Karsten" with a stylized flourish underneath.

**Bill Karsten**  
FCM President  
Councillor, Halifax Regional Municipality