


# SEIZING THE MOMENT FOR RURAL CANADA

Municipal recommendations for Federal Budget 2017

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Rural communities are essential to Canada's prosperity and to the Canadian experience.

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From coast to coast, rural communities are central to Canada's economic, social and environmental well-being. But with limited fiscal capacity, rural governments face formidable challenges providing the infrastructure that's needed to sustain local economies and ways of life.

For rural communities, Budget 2016 delivered vital short-term investment for repairs to core infrastructure, including water and wastewater treatment. Now Budget 2017 is the watershed, with potential to be deeply transformative.

The federal government has put unprecedented infrastructure dollars on the table for the coming 11 years. Budget 2017 is where the long-term investment plan will take shape. And the right decisions in this budget can set rural communities on a path to a more prosperous future, in every region of this country.

On January 16, 2017, the Federation of Canadian Municipalities released *Seizing the Moment*—our 2017 federal pre-budget submission. This companion document highlights its key recommendations to foster a more livable, competitive and prosperous rural Canada.



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# UNLOCKING THE RURAL AND NORTHERN COMMUNITIES FUND

Last fall, the federal government announced its intention to dedicate \$2-billion to rural and northern infrastructure needs over 11 years. But for this historic investment to drive historic outcomes across Canada, we need some clear decisions in Budget 2017.

This new fund must be optimized to ensure it supports the capital priorities identified by local governments—while recognizing their unique fiscal and administrative challenges.

Predictable allocations will empower municipalities to plan long-term. Fairer cost-sharing will ensure projects are not

derailed by local fiscal limits. Streamlining administration will ensure progress is not blocked by terms and conditions designed for larger projects in bigger centres.

Getting this right in Budget 2017 will mean better roads and bridges, cleaner water, support for a full range of transportation needs—and critical septic system upgrades in areas not serviced by municipal wastewater facilities.

With the right tools, rural governments are ready to build more livable and prosperous communities that can attract the talent they need to thrive well into the future.

## Recommendations:

- **Ensure this fund supports the capital priorities of local governments**, including roads and bridges, culverts, water and wastewater treatment, septic system upgrades and a full range of rural transportation and mobility needs.
- **Develop a predictable allocation model** for this fund that empowers local governments to plan ahead, tap local expertise, and select the most cost-effective solutions to local needs.
- **Ensure fair capital cost-sharing** so fiscally-constrained rural governments can move projects forward—retaining the new 50 per cent federal share, with provinces holding firm at one-third.
- **Streamline administration** to ensure rural and remote communities can access funds efficiently and fairly through simplified project identification and consistent reporting requirements.
- **Build maximum flexibility into stacking rules**, empowering municipalities to combine this new investment with other federal funding sources to move strategic projects forward.
- **Recognize regional realities**, empowering provinces/territories, in consultation with their municipal associations, to define eligible population thresholds that reflect the size of small communities in their regions (up to 100,000).



# NATION-BUILDING IN COMMUNITIES OF ALL SIZES

New dedicated funding for rural Canada is designed to serve priorities not eligible in the wider Phase 2 infrastructure plan. But rural communities must be full players in that plan as well—with its nation-building objectives to promote growth, foster social inclusion and respond to climate change.

Municipalities are on the front lines of climate change, as new weather extremes threaten local infrastructure. Green Infrastructure Fund investment must support rural climate adaptation efforts and other environmental priorities.

As engines for nearly a third of Canada's GDP, rural communities need stronger air, marine and road links into trade

and transportation corridors. This should be a priority for the promised Trade and Transportation Infrastructure Fund.

Rural economic development depends on digital links as well. Building on the federal *Connect to Innovate* program is an unmatched opportunity to extend reliable broadband Internet to every community.

Few regions can escape Canada's housing affordability crisis. Alongside a national housing strategy, FCM is calling for a \$12.6 billion eight-year carve-out in the Social Infrastructure Fund for housing solutions—in rural areas as well as cities.

## Recommendations:

- **Apply a rural lens** to all Phase 2 program eligibility criteria to reflect fiscal limitations and sparse populations, with the specific aim of enhancing rural economic development.
- **Optimize the Green Infrastructure Fund** to ensure that rural priorities are met—including storm water management; drinking water, wastewater and septic system upgrades; and extreme weather adaptations.
- **Distinctly support rural, northern and remote transportation needs** with a Trade and Transportation Infrastructure Fund carve-out for airport, marine and road infrastructure projects—vital to growing and diversifying local and regional economies.
- **Close the rural broadband gap**, working with FCM and municipalities to implement *Connect to Innovate* and extend reliable and affordable broadband Internet access to every community.
- Continue incorporating rural perspectives in a **national housing strategy** to foster a wider spectrum of affordable non-profit and market rental housing choices for Canadians.
- **Improve housing affordability** by protecting social housing and investing in new affordable housing construction—supported by a \$12.6 billion national investment over eight years.





# MODERNIZING THE RURAL INVESTMENT TOOLBOX

Municipalities shoulder 60 per cent of Canada’s public infrastructure, with access to just 8-10 cents of each tax dollar. They also deliver many public services and play growing roles in areas such as public safety and climate change adaptation.

All of this fuels a fiscal squeeze that peaks in rural communities with lower ratepayer densities and continuing youth out-migration.

Local governments have a strong track-record of delivering cost-effective solutions to local needs. What they do not have is flexibility to deal with financial and administrative bottlenecks.

For Phase 2—and all cost-shared infrastructure programs—municipalities will need an investment toolbox that is flexible enough to unlock rural expertise and recognize rural challenges.

Predictable allocations, fair-cost sharing, flexible fund stacking rules, and streamlined administrative requirements are keys to getting projects moving in rural Canada.

More broadly, FCM is inviting the federal government to work together to ensure that federal policies and programs respond to the specific needs of rural communities.

## Recommendations:

- **Elevate rural priorities federally**, working with FCM to explore a mechanism to ensure that federal policies and programs respond to the specific needs of rural communities.
- **Favour allocation-based mechanisms** to deliver infrastructure investments, recognizing local governments’ expertise in assessing local needs and their need to plan for the long term.
- **Modernize capital cost-sharing** for infrastructure programs to ensure projects can move forward—retaining the new 50 per cent federal share, and provinces contributing no less than their traditional one-third.
- **Further recognize local fiscal limits** by expanding cost-sharing to encompass design and planning; repairs; land acquisition and other costs—while empowering municipalities to “stack” multiple federal funding sources.
- **Design the Canada Infrastructure Bank** in partnership with FCM, ensuring smaller municipalities can optionally access low-cost financing by cooperating and “bundling” projects for scale.