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THE STATE OF CANADA'S CITIES AND COMMUNITIES 2013

Opening a New Chapter



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SINCE 1901





Message from the President: Charting a course for change

When we reach key milestones and face new challenges and opportunities and are considering where to go next, it's sometimes best to go back to first principles and ask: Where are we and where do we want to be? Then we can talk about how to get there.

As I conclude my year as president of the Federation of Canadian Municipalities (FCM), I believe it's time for our organization — and all Canadians concerned about the life in our cities and communities — to stop for a moment and look at where we are, how we got here, and where we want to be.

It's easy to see where we've come from.

Look back a decade and you'll find FCM reacting to the 2003 “doomsday” federal budget, with its commitment of \$125 million for infrastructure falling far short of what was needed and expected. At that time, municipalities were struggling under the cumulative weight of more than a decade of cutbacks and downloads, while facing new challenges from globalizing trade, immigration and new environmental concerns.

That was surely the low-water mark for many in the municipal sector. But we persisted in our conviction that cities and communities mattered and that we needed a better deal. And looking at what has been accomplished over the last ten years — a full GST refund, a permanent and indexed Gas Tax Fund, and a 10-year infrastructure program — some might be tempted to think we had reached our destination.

There is no doubt these investments have strengthened our economic foundations and helped make our communities better places to live and work — from new and better transit services in our largest urban areas, to recreation facilities and improved roads and bridges in our rural communities — and will continue to do so for many years.

But when we look at Canada today, what do we see? Do we see a country where all orders of government, regardless of jurisdiction, work together to apply their knowledge and resources to the full range of challenges and opportunities that play out in our communities?



Or do we see a nation where government roles and responsibilities defined and negotiated in the 19th century continue to be used to excuse and justify government inaction on 21st century issues?

The job is not finished, and it's FCM's role to make that clear.

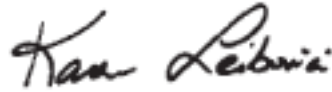
Federal contributions are more robust than they have ever been, and we can make a good start on rolling back the enormous municipal infrastructure deficit. But Canada's tax system continues to take too much from our cities and communities and put too little back, and challenges ranging from affordable housing to immigrant settlement, to providing clean water continue to strain municipal budgets.

Where do we go from here? We seem to be on our way to some certainty that cities and communities will receive a fair and predictable share of what their residents send to Ottawa. But although money is important, we need more than money.

We need all governments working together in partnership to build healthy, sustainable, competitive communities. This is not just as an abstract exercise in planning and policy development. This is, because each of our communities, from the largest city to the smallest village, is somebody's hometown. They are the places we call home, where we live, work, and raise our families and together they make up Canada.

Our success at forging a new intergovernmental partnership and a new role for cities and communities will go a long way toward determining Canada's success, both economic and social, in the coming decades. It matters because this is about providing the services and infrastructure that support the quality of life Canadians expect and deserve, and that we need to compete globally. If cities and communities prosper, the country will prosper. If they fail, we will all fail.

FCM will be there. The President's Forum at the 2013 FCM Annual Conference is the beginning of a process to ensure all governments keep the national focus on what cities and communities need to fulfill their roles as home to Canadians and engines of our prosperity.

A handwritten signature in black ink, reading "Karen Leibovici". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Karen Leibovici
President



Message from the CEO: Municipalities matter

Within the coming year, construction crews in our President's home town of Edmonton will break ground on the infrastructure for a 217-hectare project that may well redefine the future of urban living in Alberta's capital region. The City Centre Airport regeneration strategy, approved by Edmonton council in 2008, is expected to become home to 30,000 residents. The master plan -- developed after extensive public consultations and council deliberation -- envisions environmentally sustainable water, waste and energy infrastructure; transit-friendly planning; green building codes; urban farms; and economic growth zones.

Edmonton's vision for a long derelict airport -- as well as plans for new downtown redevelopment and an expansion of its LRT network -- has attracted national and international attention. But Edmonton is hardly alone in its efforts to prepare for the future: across Canada, municipalities of all sizes are gearing up to face the challenges and opportunities posed by 21st century city-building.

Municipal leaders, like President Leibovici, understand that such transformations are complicated but essential processes to ensure the future social and economic viability of their communities. At the same time, the demands of tomorrow must always be balanced against the needs of today -- repairing aging infrastructure, addressing housing shortages, and ensuring safe, vibrant communities.

While each community must confront these issues in its own way, the effort, in the aggregate, clearly has national consequences. More and more, national and even global issues are playing out first and foremost in our communities.

Let's look at the facts: eight in ten Canadians now live in urban areas, and our largest city-regions are the destinations of choice for the hundreds of thousands of newcomers who represent Canada's future growth. Canada's fast growing natural resources sector, based out of and supported by thousands of small, rural and remote communities, is directly connected to the vibrancy of our financial and manufacturing centres, and is fueling innovative new research and technology hubs. Rural communities also continue to play a critical role in sustaining urban regions, from food and energy production, to tourism opportunities.



Photo credit: Jean-Marc Carisse

Just as the best-managed corporations plan for sustained profitability rather than the next quarter's results, forward-looking municipalities plan for the long-term. But as they envision the future, mayors and councils realize that fostering the most enduring sort of growth means forging partnerships with residents, civil society organizations, the private sector, adjoining municipalities, and the other orders of government.

In practical terms, a growing number of FCM members have adopted multi-year capital and operating budgeting in order to adopt a much more strategic approach to their infrastructure and program requirements.

That's why the new Building Canada Plan (BCP), unveiled as part of the 2013 federal budget, represents a watershed moment in the relationship between Ottawa and Canada's municipalities. By extending the life of the \$53 billion program to ten years, with inflation indexing on the \$2 billion gas tax transfer, Canadian municipalities now find themselves in a position where they can align their long-term planning objectives with the financial resources needed to make the necessary investments.

These policies show that Ottawa has come to recognize that the principle of long-term financial predictability in municipal decision-making isn't merely an emergency fiscal measure, to be taken during a recession. Rather, such a disciplined approach to investment is seen as a means of enhancing national competitiveness and productivity. That's a view supported by a growing number of analysts and groups such as the Canadian Chamber of Commerce, the Canada West Foundation, the Canadian Federation of Agriculture, the Insurance Bureau of Canada and the Canadian Construction Association.

Yet as the planners charged with Edmonton's ambitious regeneration strategy understand, the funding for such projects is necessary, but by no means the only precondition for success. To ensure that the next generation of investment delivers sustainable urban growth, the three orders of government must work together to develop a common vision and bring together the disparate pieces that create vibrant, successful, livable communities

For FCM and its members, the challenge now becomes translating this new-found recognition of the importance of long-term planning and funding into the starting point, rather than the culmination, of a national conversation on the role our cities and communities play in maximizing the opportunities facing Canada and Canadians.

Indeed, it is becoming increasingly clear that the health and strength of our municipalities matter: It matters to the people who live in our communities

and seek a productive and secure lifestyle for themselves and their families; It matters for the newcomers seeking a new place to call home; and it matters for our country as we seek to build a strong presence in an increasingly competitive world.

FCM and its members now face a unique and compelling opportunity to demonstrate leadership in the task of fostering communities that encourage investment, a cleaner environment and safe and secure places to live. We intend to seize the moment by working with our partners to develop the principles, and policy and program framework around the allocation of not just the new infrastructure funds, but also the delivery of other programs, such as housing, immigrant resettlement, transit and policing that support the kind communities in which we all want to live.

This report portrays the evolution of a relationship that has proven crucial and effective in further the well-being of Canadians. It also lays the foundation for the future. I am excited by the path we are taking, and I hope you are too.



Brock Carlton
Chief Executive Officer



Introduction

Whether in large urban centres, smaller regional hubs or rural and remote communities, municipal governments are on the front lines of some of the most pressing challenges facing Canada and Canadians. It is in our cities and communities that national and local issues intersect, creating challenges but also exciting opportunities. And whether the issue is environmental stewardship, infrastructure renewal, public safety or immigrant settlement, local governments often lead the way in finding solutions.

But this has come with a steep price tag. The difference between the fiscal and institutional capacity of local governments and the cost and growing complexity of the changing demands they face is squeezing their ability to deliver on traditional municipal mandates.

The reason is that our cities and communities continue to operate within an institutional framework better adapted to the realities of the 19th century than today's rapidly shifting urban and economic landscape. This outdated framework creates jurisdictional silos that hinder federal and provincial decision-making, cooperation and coordination, and often lead to ad-hoc policy interventions that mask or fail to address real problems and leave municipalities scrambling to fill the gaps.

All Canadians suffer the consequences of this out-dated system, with workers, business owners, and families facing unnecessary duplication or gaps in government services, an inefficient and often inequitable taxation structure, and a never-ending intergovernmental blame-game where jurisdiction is used as an excuse for inaction on the problems Canadians care about most, from climate change, to immigrant settlement, to affordable housing, to safe streets.

The good news is that the growing municipal policy footprint over the last decade has given cities and communities a larger role and influence in national debates.

Today, local governments and FCM are actively consulted on more and more of the national issues playing out in cities and communities, allowing the cultivation of intergovernmental relations in non-traditional areas such as international trade negotiations and job creation.

But if the maturing of federal-municipal relations and growing municipal clout have produced some impressive policy outcomes in recent years — particularly in the area of infrastructure investments — that process is incomplete.

In the late 1980's, FCM attempted to repair this broken institutional framework through a constitutional fix. For several years, it invested heavily in an effort to piggy-back constitutional recognition of local governments on the Meech Lake and Charlottetown Constitutional rounds.



By 1991, the institutional rigidity of the system Canada's municipal leaders wanted to reform along with the political circumstances of the day convinced them to abandon their quest for a constitutional amendment entrenching municipalities as an order of government.

However, this did not signal an end to FCM's efforts to secure federal acknowledgement of the special role and place of municipal governments in the Canadian federation or of a new intergovernmental partnership.

Recognizing that a constitutional amendment was a political non-starter, FCM opted for a more pragmatic approach based on aggressive issue-by-issue advocacy. FCM's plan was to build the foundations for a new intergovernmental relationship one policy breakthrough at a time.

Today, using the wide-angle lens that the passage of time affords us, we can assess how effective this historic shift in municipal intergovernmental strategy has been in modernizing federal-municipal relations and in improving the capacity of local governments to manage their growing agenda.

This task is made all the more timely as a result of the announcement in Budget 2013 of a long-term federal commitment to infrastructure funding. The unprecedented scope of this program raises two important questions:

- Does the commitment to a long-term partnership to fix the physical foundations of our cities and communities set the terms and conditions of the federal-municipal relationship for the next decade? Or, is there the room and need to grow that relationship further?
- If the latter, what is the best way to achieve that goal?

This report attempts to answer those questions and leans on the lessons of the last 20 years to chart a way forward.

Part One of the report explores how the federal-municipal relation has evolved over the past twenty years, cataloguing the breakthroughs and missed-opportunities along the way.

Part Two discusses how the growing municipal political footprint over that same period has shaped federal policy in this area.

Finally, **Part Three** focuses on the institutional arrangements that governed federal-municipal relations over the same period to understand how this relationship has evolved and what needs to change for it to be placed on a sounder footing.





PART 1: Reflections on 20 years that defined the federal-municipal relationship

CONSTITUTIONAL RECOGNITION: REACHING FOR THE BRASS RING

"We already have an extraordinarily complex agenda. The Federation has just added a new challenge to the list."

- **The Rt. Hon. Joe Clark**, Minister Responsible for Constitutional Affairs, speaking to reporters after addressing the Federation of Canadian Municipalities' Annual Conference, St. John's, June 1991.

Under Canada's Constitution municipalities are the responsibility of the provinces. All their functions, finances and governing structures — even their very existence — depend on provincial or territorial law.

As for a municipal relationship with the federal government, there isn't one, at least officially. On Canada's constitutional map, the lines of power connect Ottawa with provincial and territorial capitals, and those capitals link to individual local governments. There is no formal constitutional relationship between municipalities and the federal government.

But as is often the case with maps, the reality on the ground has differed considerably from the official version since at least 1901. That is when 68 municipal delegates representing 52 municipalities met in Toronto to form the Union of Canadian Municipalities (UCM), a precursor to the Federation of Canadian Municipalities (FCM).

What brought them together was a problem not anticipated in 1867: telegraph and telephone lines, and control over where they could be installed. The UCM won its battle with the utility companies by influencing the federal government, although the issue still simmers. This success proved the value of a municipal association that could deal directly with the federal government on issues where their jurisdictions and interests intersected.

The struggle that produced the UCM illustrates a basic fault line within Canada's 19th century

constitutional division of powers: a disconnect between jurisdictions and emerging issues and circumstances that the Fathers of Confederation could never have imagined.

With the advent of urbanization and globalization and the ensuing growth in the importance of cities and communities to Canada, the fault line created in 1867 has grown increasingly acute. These consequences reached a tipping point during the 1980s, when the results of years of neglect could no longer be ignored.

Beginning in the early 1980s, on the heels of the abolition of the short-lived Ministry of Urban Affairs — a failed 1970s attempt to fashion a federal role in urban affairs — FCM attempted to find a constitutional fix to the problems that affected municipalities.

Not surprisingly, FCM's strongest efforts on this front came at a time when there existed in Canada the greatest sense of urgency around reforming the Canadian federation.

In June 1980, the wake of the Quebec referendum on sovereignty-association, FCM received and debated an extensive report on the place of municipalities in the federal system. The *Report of the Resource Task Force on Constitutional Reform: Municipal Government in a New Canadian Federal System* and a subsequent report published in 1982 framed a new approach. They recommended that municipal governments be recognized and protected in a new constitution and that their attributes and powers be expressly recognized in provincial charters.

The reports proposed entrenching what were called "the three autonomies" of municipal government, namely, law-making autonomy; fiscal autonomy; and institutional autonomy.

But FCM's considerable efforts to get at the root of the problem faced major political and institutional obstacles from the start.

Speaking to delegates to the FCM Annual Conference in St. John's in June 1991, Joe Clark, then minister responsible for Constitutional Affairs, said that while he was sympathetic to municipal concerns, there was one overriding federal objective in the Charlottetown

round of constitutional negotiations: bringing Quebec back into the constitutional fold. Anything that did not materially contribute to that objective would not be considered as part of federal proposal.

In September 1991, after a decade of pursuing the “constitutionalization of municipalities” the FCM Board of Directors unanimously agreed to a fundamental shift in strategy. They moved to a pragmatic focus on what was possible and ended the search for the brass ring, ushering in 20 years of advocacy success.

CITIES AND COMMUNITIES: COLLATERAL DAMAGE IN THE DEFICIT WAR

Like many successful campaigns, the 1990s’ victory over the federal deficit came at a cost, and much of that cost was borne by Canada’s cities and communities. By 2000 and the dawn of a new millennium, years of deficit fighting and downloading had left them weakened and struggling to meet their responsibilities.

But there had been some early light before the gloom. Prime Minister Jean Chrétien’s newly-minted Liberal government established the tri-partite Canada Infrastructure Works Program (CIWP) in 1993. The success and popularity of the program, although modest at approximately \$2.5 billion over five years, ensured that it survived a series of massive program cuts during the mid-1990s.

The creation of CIWP was a milestone for FCM and the municipal sector. Not only did the program provide much-needed funding for cash-strapped municipalities, but it entrenched the principle of tri-partite collaboration. Incrementalism and pragmatism was working. Or was it?



Although welcome and a good start, these measures were not enough to offset the neglect and cascading federal, provincial and territorial downloading that followed the federal deficit battle.

With their revenues limited to property taxes and some user fees, and saddled with new and often unfunded responsibilities, municipal governments saw their infrastructure continue to deteriorate, while the need for their services expanded.

Though there were early successes on the infrastructure front, the 1990s showed the limited role municipalities played in the national agenda, and the institutional barriers that curtailed their influence. Confronted by a federal priority of deficit elimination, the so-called cities and communities agenda didn’t measure up and municipal governments were left on the sidelines as largely powerless spectators of key policy decisions that would shape Canada and take a harsh toll on their communities and residents.

For municipal governments, change was needed, but it would not come without a push. That push came in 2001.

Early warning

The pace of FCM’s advocacy began to accelerate in 2001. In May 2001, FCM released the report, *Early Warning: Will Canadian Cities Compete?* Prepared by the National Round Table on the Environment and the Economy (NRTEE), this report compared municipal legislative and fiscal powers and mechanisms for financing infrastructure in Canada with those available to other industrialized countries.

The report found that, while municipal governments in the United States and Europe had access to a range of fiscal tools, municipal governments in Canada have many fewer levers to attract investment, and scant access to federal and provincial funds. Permanent funding sources for infrastructure do not exist outside of locally generated revenue. More options are needed for municipal governments in Canada to carry out their growing responsibilities and to continue meeting the expectations of their residents.

Importantly, while FCM was pushing a narrative and diagnostic that focused on fiscal and institutional barriers, it anchored its arguments pragmatically in the real world of infrastructure funding.

Also in May, spurred by the growing interest in urban issues, Prime Minister Chrétien established the Prime Minister’s Caucus Task Force on Urban Issues, chaired by York West MP Judy Sgro. Numerous civil society groups made presentations to the Task Force in October 2001, including the City of Winnipeg and the City of Toronto.

As the Task Force hearings continued, one of Canada's largest banks weighed in on urban issues. In a series of speeches in 2001 and early 2002, A. Charles Baillie, Chairman and CEO of TD Bank Financial Group, argued that cities were critical to meeting Canada's challenges, but were showing signs of strain. He asked TD Economics to undertake a study of Canadian cities, which was published in April 2002 as *A Choice between Investing in Canada's Cities or Disinvesting in Canada's Future*.



This report's diagnosis of the problems faced by cities, as well as their underlying causes, reflected FCM thinking: revenues limited to the property tax, deteriorating infrastructure, and loss of population to the suburbs, all "leaving cities singularly ill-equipped to cope with the responsibilities being downloaded to them."

The Prime Minister's Task Force released its interim report in May 2002, recommending that the federal government develop an urban strategy that would include, "a strong urban partnership developed in collaboration with all orders of government, the community, the private sector, and citizens through bilateral, trilateral and multilateral agreements and initiatives."

INTRODUCING THE NEW DEAL

"Our future as a nation is inextricably linked to the health of our municipalities."

- **Finance Minister Paul Martin**, Federation of Canadian Municipalities Annual Conference, Hamilton, May 31, 2002

At the May 2002 conference, Finance Minister Paul Martin reaffirmed his belief that "Canada was in need of a New Deal for municipal governments," and outlined "how we can work together to build a national partnership — which includes federal, provincial and municipal leaders — to move beyond the status quo, to summon a new attitude."

His words galvanized FCM's municipal members, who recognized in his words the kind of transformative change they had been clamouring for a decade earlier.

In August 2002, in what was viewed at the time as a sign that FCM's incrementalist advocacy strategy was bringing about institutional change, the federal government established Infrastructure Canada as a new department, to provide a focal point for infrastructure issues and programs. In November 2002, the Prime Minister's Task Force on Urban Issues released its final report and joined a growing chorus calling for greater federal involvement in cities.

Mobilizing municipalities

"The Government of Canada said in its Throne Speech that 'competitive cities and healthy communities are vital to our individual and national well-being.... They require new partnerships, a new urban strategy, and a new approach to healthy communities for the 21st century.' Today's budget does absolutely nothing to fulfill these promises."

- **FCM President John Schmal** on the 2003 federal budget

Despite a groundswell of support for urban issues, the campaign for federal support remained an uphill battle. Paul Martin was replaced as finance minister shortly after making his New Deal speech to FCM and, despite a sympathetic final report from the Task Force on Urban Issues and an encouraging Speech from the Throne in 2003, the federal budget that year included just \$125 million for municipal infrastructure. FCM labelled it a "doomsday budget" for municipalities and many interpreted it as a betrayal of earlier federal commitments.

'Doomsday for Canadian municipalities'

URBAN INFRASTRUCTURE

PETER O'NEIL
CanWest News Service
OTTAWA

The Chretien government's multibillion-dollar program to revive Canadian cities doesn't do nearly enough to deal with urban pollution, traffic gridlock, inadequate housing and crumbling infrastructure, urban officials and a Liberal MP said Tuesday.

"It's not going to meet the needs in urban Canada," said Toronto MP Judy Sgro, chairwoman of Prime Minister Jean Chretien's Task Force on Urban Issues.

Finance Minister John Manley's budget offers \$3 billion for infrastructure and many millions more for low-income housing, immigrant integration, child poverty, advanced education, urban aboriginals, child care and smog.

Officials representing Canada's

A cracked sidewalk photographed in Strathearn last fall symbolizes Canada's strained infrastructure.

big cities and transit authorities said Manley offered far too little cash to meet municipal needs.

"It is doomsday for Canadian municipalities," said John Schmal, a Calgary city councillor and president of the Canadian Federation of Municipalities.

Cities expected at least \$1.2 billion for infrastructure and housing this year, he said. But the bud-

get's \$3-billion infrastructure program is stretched over 10 years and includes only \$100 million this year and \$150 million next year.

"This money isn't enough to build one kilometre of subway line in Toronto or three road interchanges in Calgary," Schmal said.

Schmal said Manley has done almost nothing to deal with Canada's \$57-billion "infrastructure deficit" that represents all the money needed to build new sewers, water facilities, roads, bridges and public transit.

Both Schmal and Michael Roschlan, president of the Canadian Urban Transit Association, said the budget speech's commitment to revive Canadian cities is belied by the facts.

Federal officials acknowledged Tuesday the new funds, far lower than the total of more than \$5 billion for infrastructure announced in the last two budgets, won't come close to meeting the demands of most provincial and territorial governments.

Vancouver Star

WHAT IT MEANS IN EDMONTON

"It's never enough, but certainly the government is headed in the right direction by giving some permanency to the program," Edmonton Coun. Ron Hayter said about the 10-year federal infrastructure plan.

The long commitment gives some certainty to municipalities making long-range plans, Hayter said.

Winnipeg Mayor Glen Murray had a different view: "This was John Manley saying to Canadian mayors, 'Drop dead.'"

Ledex Mayor George Rogers, president of the Alberta Urban Municipalities Association, said smaller cities and towns will see little benefit.

"A community the size of Ledex, when you start breaking it down and spreading it across the country, we'd be lucky to get \$200,000," Rogers said. "I think they dropped the ball on this one."

— Sarah O'Donnell, Journal Staff

In response to Ottawa's seeming indifference, FCM mobilized its resources and launched a campaign to build support. It appealed to Members of Parliament from all parties. It enlisted mayors, councillors and community and business leaders, all with one goal: a new deal for cities and communities.

In the fall of 2003, FCM President and Mayor of Gatineau, Quebec, Yves Ducharme, led the cross-country *Bridging the Gap* campaign to publicize the municipal infrastructure deficit and mobilize municipal governments across the country.

In addition to raising the profile of municipal issues across the country, the campaign was significant because it represented the first coordinated effort by FCM to leverage its greatest asset: its members.

Member engagement has since become a cornerstone of FCM's advocacy efforts.

The government responds: a New Deal for cities and communities

"The New Deal is a national project for our time."

- **Prime Minister Paul Martin**, Federation of Canadian Municipalities Annual Conference, 2005

As the municipal world campaigned to make its issues a national priority, changes in Liberal Party leadership brought Paul Martin back to government as leader of the Liberal Party and Prime Minister. Martin moved quickly to make good on his "New Deal" promises. He appointed John Godfrey, MP for Don Valley West, as Parliamentary Secretary with special responsibilities for cities, and created a Cities Secretariat within the Privy Council Office. But the moves were viewed by many in the municipal sector as falling short of anticipated institutional changes.

In its February 2004 Speech from the Throne, the Martin government responded to FCM's budget proposal, and promised Canada's municipal governments a full GST refund, calling it a \$500-million "down payment" on the money needed to renew municipal infrastructure. The speech also promised municipalities a share of the federal gas tax.

The March 2004 federal budget delivered on the GST commitment and provided municipalities with \$7 billion in GST relief over ten years. It also accelerated spending under the Municipal Rural Infrastructure Fund, making a commitment to spend the fund's \$1 billion over five years, rather than the original 10.

That May, Prime Minister Martin spoke at FCM's Annual Conference in Edmonton, Alberta, confirming his government's commitment to share a portion of the federal gasoline tax — worth up to \$2 billion a year — along with \$1.5 billion more for affordable housing.

The 2005 federal budget delivered the New Deal by providing municipalities with more than \$9 billion in funding over five years. This included \$5 billion in gas-tax revenues, renewing existing infrastructure programs "as necessary," and more than doubling the Green Municipal Fund's endowment with an infusion of \$300 million.



The Rural Secretariat: An early attempt at building federal-local connections

In 1997, the federal government appointed a minister responsible for "co-ordinating rural affairs." The Rural Secretariat was established in 1998, within Agricultural and Agri-foods Canada (AAFC), to promote a greater understanding of the "unique needs" of rural communities through a "rural cross-cutting approach" involving federal government departments and agencies.

The Secretariat was created to look at issues and public policy from a rural point of view and to generate a whole of government perspective on the challenges and program requirements of rural Canada. It addressed the government's needs and limitations around infrastructure, issues that led to the creation of Infrastructure Canada five years later.

With limited resources, the Secretariat sought to influence a wide array of policy issues and a multitude of government departments and initiatives large and small, as well as submissions that go to cabinet. Its capacity to effect real change in Ottawa, particularly without a dedicated, sustained and vigorous political champion in Cabinet, was severely constrained. After several years of budget cuts, the Secretariat was closed in May, 2013.

Although the Rural Secretariat has been disbanded, the needs that led to its creation still exist.

The 2005 budget also proposed creating a new Infrastructure and Communities department to be the Government of Canada's primary contact for municipal issues, and promised continuing pre-budget consultations between the Minister of Finance and municipal representatives. But although those commitments represented an important first step toward forging a New Deal that would be about more than money, they did not go far enough.

In response, that spring FCM began discussions with Infrastructure and Communities minister Godfrey — who had seen his title and role upgraded to that of a full minister — to try to forge a new institutional partnership arrangement called Sector Tables.

Under the FCM proposal, the federal government would encourage intergovernmental cooperation and coordination on issues that cut across jurisdictions, such as housing, immigrant settlement and infrastructure funding by creating issue-specific “sector tables” where federal, provincial-territorial and municipal representatives would meet to work out solutions.

But municipal enthusiasm for the burgeoning relationship was tempered by a growing unease among municipal leaders because momentum for change diminished as the Martin government moved to new priorities, and the New Deal became yesterday's news.

With a minority government and a possible election looming, FCM decided to freshen its own narrative and, without abandoning its sector table advocacy, turned its attention once again to infrastructure funding which, despite the introduction of the gas tax transfer continued to be problematic. By 2005, administrative problems with existing programs — application processes that took years to navigate, onerous and redundant reporting, and political interference in good asset management planning — had become so acute and made municipal planning efforts so difficult that many municipalities had stopped applying for federal project funds.

In the fall of 2005, FCM urged the federal government to set aside the old approaches to infrastructure funding in favour of a long-term plan with new funding strategies to eliminate the infrastructure deficit.

That message cut across partisan boundaries. Much like FCM's 1993 proposal for a tripartite infrastructure program became the lynchpin of the Chrétien Liberal's campaign for “Jobs, Jobs, Jobs”, FCM's 2005 call for a long-term infrastructure plan was adopted by Stephen Harper's Conservative Party in the January 2006 federal election.

CANADA'S NEW GOVERNMENT: THERE FOR THE LONG-TERM

“...federal investments in infrastructure are significant, but this funding needs to be put on a long-term track to allow for long-term planning, especially given the time spans involved in planning and building major infrastructure projects.”

- **Restoring Fiscal Balance**, Budget 2006

The 2006 federal election changed the game for FCM and its members, but not their goals. With the arrival of Stephen Harper's minority Conservative government, some feared municipal progress might stall, although the Conservative Party had expressed its support for “efforts to eliminate the infrastructure deficit, develop a long-term plan for the gas-tax transfer, maintain infrastructure funding, and include municipalities in discussions of issues related to their jurisdiction and concerns.”



The new government's first budget essentially maintained the status quo on infrastructure, with \$5.5 billion over four years for new Highways and Border Infrastructure Fund, Canada's Pacific Gateway Initiative, the Canada Strategic Infrastructure Fund, the Municipal Rural Infrastructure Fund, and a Public Transit Capital Trust. But the most important element was a commitment to putting funding on a long-term track.

The 2007 federal budget launched the Building Canada Plan: a seven-year plan providing \$33 billion in “stable, flexible and predictable funding to provinces, territories and municipalities, allowing them to plan for the longer-term and address their ongoing infrastructure needs.” This \$33 billion included the existing municipal GST refund, worth \$5.8 billion, and the Gas Tax Fund, worth \$11.8 billion. Importantly, it also included the \$1 billion

Small Communities Component of the Building Canada Fund to ensure there was a designated funding envelope targeted to the unique needs and limited capacities of smaller communities.

This plan provided longer term funding to municipalities for priorities such as transit, water and wastewater infrastructure, as well as the rehabilitation of local roads. It represented a significant development as it mitigated many of the problems associated with earlier, shorter ad-hoc funding programs.

Budget 2008 delivered more good news including the announcement that the Gas Tax Fund would be made permanent, responding to a key FCM position that municipalities should be able to rely on the Fund when planning and financing their long-term infrastructure needs. The budget also set aside up to \$500 million for capital investments to improve public transit, a key municipal priority.

Partnering to fight the recession

"The doubters and critics said municipalities wouldn't have the shovel-ready projects...that municipalities couldn't move that fast. They said they wouldn't — and couldn't — bring money to the table. Well, we knew that the big cities and small towns were up to the challenge, and you have proven us right."

- **John Baird**, Minister of Transport, Infrastructure and Communities, FCM Annual Conference, 2009

Just as the outlook began to brighten for municipalities, early 2009 brought a new and bigger storm. In the face of a potential global financial meltdown and a recession in the United States, world governments turned to stimulus spending to offset the slowdown and create jobs.



In Canada, FCM, just as it did in 1993, seized on the opportunity presented by the economic downturn and its member municipalities were quick to volunteer their "shovel-ready" municipal infrastructure projects and matching funding. The result was a political win-win and the largest investment in municipal infrastructure in the history of the country.

In addition to creating new infrastructure and jobs, the federal-municipal stimulus partnership helped overcome many administrative barriers that had beset infrastructure programs since their inception in the 1990s, notably by reducing red tape.

As the crisis eased, FCM argued for extending the same spirit of partnership and pragmatic cooperation to address many of the problems that remained, including traffic gridlock, rising police costs, and a shortage of affordable housing.

Meeting in January 2010, FCM's Big City Mayors' Caucus stressed the importance of continued partnership to meet the challenges of the 21st century, and called upon the federal government to "continue working with cities to improve aging infrastructure and strengthen Canada for the future."

But much as was the case with earlier governments, it proved difficult to frame a meaningful dialogue that went beyond infrastructure investments.

If the 2010 budget did not contain any bold new partnership initiatives, Budget 2011 did include two announcements that represented important breakthroughs in the institutionalization of the federal-municipal relationship: it enshrined the permanent Gas Tax Fund in legislation, and it contained a formal commitment to develop a new long-term infrastructure plan.

This latter commitment was formally launched by Minister of Transport, Infrastructure and Communities Denis Lebel in November 2011 at FCM's Board meetings in Ottawa.

"Completing the economic recovery remains our government's top priority. Our new plan will help identify Canada's infrastructure priorities to meet the needs of Canadians and build a more prosperous, competitive, and sustainable economy. Working together with partners, we will take stock, identify opportunities, and build the foundation of a new infrastructure plan that supports economic growth and job creation."

- **Denis Lebel**, Minister of Transport, Infrastructure and Communities

The 2012 budget was modest in its municipal outlook. It proposed an investment of \$150 million over two years to support repairs and improvements to existing, small public-infrastructure facilities through the Community Infrastructure Improvement Fund. But municipal leaders were already looking beyond Budget 2012 toward Budget 2013 and a long-term infrastructure plan.

The long-term plan

Much like it did in 2003 in support of a New Deal for cities and communities, FCM and the municipal sector mobilized in 2012 to support the development of a long-term infrastructure plan. In addition to a member engagement campaign called Target 2014: Building our Future launched during its 2012 Annual Conference in Saskatoon, FCM partnered with a broad range of private, public and civil society organizations to create political space for a discussion of the merits and scope of a long-term infrastructure plan.

In November, 2012, FCM released its recommendations to the Government of Canada, calling for a twenty-year plan with predictable funding to fix Canada's crumbling infrastructure.

"A long-term federal funding commitment that reflects the life-cycles of the infrastructure it is meant to fix is needed to allow municipalities to invest wisely and strategically in priority areas over decades, not just years," said FCM President, Edmonton Councillor Karen Leibovici. "It also means breaking away from budgets built on application forms and providing a predictable funding envelope for all municipalities."

On the same day that FCM was in Vancouver calling for a long-term infrastructure plan, federal finance minister Jim Flaherty was in Atlantic Canada

delivering his fall economic and fiscal update and the news was not good. Pointing to continued global uncertainty and weaker than expected revenues, the minister announced that the Government's goal of achieving fiscal balance by 2015 was in jeopardy.

The minister's announcement raised concerns in the municipal sector that the promised long-term infrastructure plan might be in jeopardy, but FCM and its members continued to push with an aggressive media and outreach effort. The table was set for Budget 2013.

The 2013 Budget delivered a 10-year \$47 billion federal commitment to local infrastructure funding.¹ While short of the 20 year time frame FCM had argued for, that the Government included a spending announcement in what was essentially an austerity and fiscal balance budget narrative spoke to the political importance of a continued municipal relationship and of infrastructure investments to the federal government.

In a statement, FCM president, Edmonton Councillor Karen Leibovici said, "We applaud the government for choosing to continue moving our communities forward even as it meets its immediate fiscal challenges. By protecting the purchasing power of the gas tax transfer, and by extending program funding for 10 years, this budget entrenches the principle of long-term sustainable infrastructure funding."

Importantly, by indexing the Gas Tax Fund — a longstanding FCM request — Budget 2013 further cemented the institutional federal-municipal link it established when it made the Gas Tax Fund permanent in 2008.



¹ Economic Action Plan 2013 describes the new Building Canada Plan as a \$53 billion program. However, \$6 billion of this total envelope is already allocated to projects approved in the past.

YESTERDAY, TODAY AND TOMORROW

"The national interest demands that all orders of government work together to ensure cities and communities preserve and enhance their quality of life. We need a new partnership among all orders of government—a partnership that recognizes municipal governments as essential to meeting common goals."

- **FCM President Ann Maclean**, November 2004

Twenty years ago, the municipal campaign for the recognition of the role and place of local governments in a modern Canada moved from the constitutional to the political arena. But while the strategy changed, the goals that inspired early municipal efforts to modernize the web of laws, conventions, and fiscal and institutional arrangements that conspired to keep cities and communities on the sidelines of the some of the most important decisions of the day, did not.

Today, just as twenty years ago, municipal leaders are focused on defining a role within the Canadian federation for their communities commensurate with their local aspirations, and their aspirations for Canada.

What has changed is that while municipal leaders in the early 1990s were waiting for a nod (that never came) from the so-called senior governments to step up to the constitutional table, today they are the ones setting the table for the debate on the future role and place of local governments in the Canadian federation.

We saw this with the first infrastructure program in 1993, a timely idea advocated by FCM. We saw it with the New Deal, which followed an unprecedented national debate about the state of cities and communities that mobilized municipal leaders, business, academe and civil society. We saw it with the 2009 Economic Action Plan and the unprecedented investment in municipal infrastructure. And perhaps most significantly, we saw it with Budget 2013 and the federal long-term commitment to infrastructure funding, which in the minds of some, puts the issue to rest for a decade.

In each and every instance, these breakthroughs came about as a result of unwavering municipal leadership and advocacy.

But as we reflect today on our successes of the last 20 years, it is also important to consider where we've fallen short, notably in fostering policy coordination and collaboration.

When former FCM President Ann MacLean spoke in 2004 of the need for all "orders of government to work together," she may have been stating the obvious. But, nine years later, even with moments of policy alignment, we are no closer to FCM's goal of a true collaborative intergovernmental partnership to deal with the issues in our cities and communities. Given the growing list of challenges faced by municipal governments, the need for collaboration may never have been greater than it is today.

The good news is that the incremental gains made over the years have set the foundation for a new relationship with the Government of Canada and a new role for municipalities in the federation.

Take the 2009 Economic Action Plan, when the municipal sector mobilized as a program and funding partner to deliver investments that softened the shock of the global economic meltdown while contributing to economic competitiveness.

Take Budget 2013, which not only confirms a 10-year federal commitment to fixing our crumbling infrastructure, but which by enhancing the Gas Tax Fund through an index, places it on an equivalent footing to major federal transfers for health care and social programs. This is a close as you get to constitutionalizing the federal interest in cities and communities without actually amending the Constitution.

Each step taken over the last 20 years in this developing relationship has increased the capacity and credibility of the municipal sector as a full partner with the other orders of government.

There is no reason why the success enjoyed over the years in developing a more and more comprehensive federal approach to infrastructure funding cannot be replicated in relation to the multitude of issues that defy jurisdictional niceties: public safety, immigrant settlement, housing affordability and environmental stewardship, to name just those.

The municipal sector has shown patience and perseverance in laying the foundation for intergovernmental partnership. Now it's time to build the ground floor.





PART 2: A changed Canada?

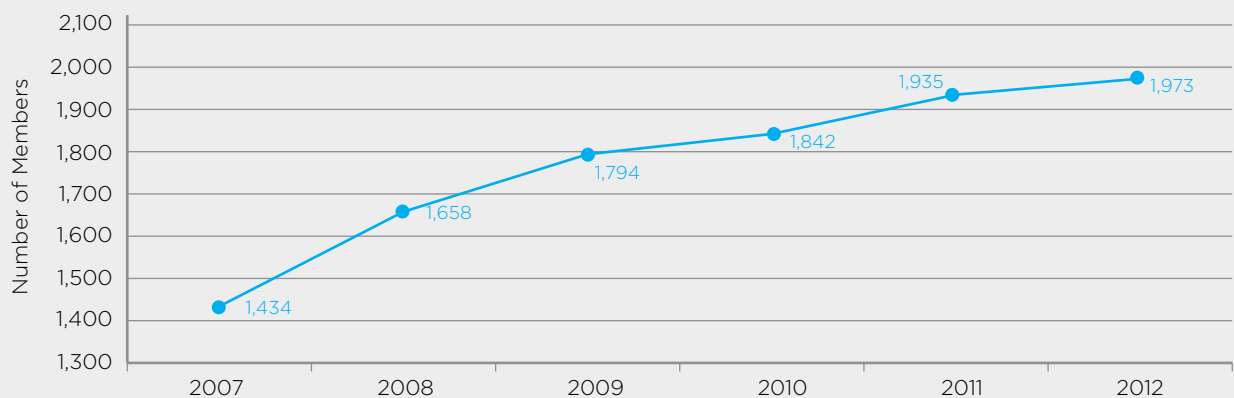
In the course of a single generation, the relationship between Canada's municipalities and the federal government has changed both quantitatively and qualitatively. It has evolved through three economic downturns, two majority governments, two minority governments and two deficit-reduction campaigns.

Over this period, the growing significance of the municipal perspective has been affirmed by a variety of think tanks, advocacy organizations, financial institutions and academics. Several provinces in recent years enacted legislative reforms or approved revenue sharing agreements designed to provide municipalities with additional resources as well as enhanced regulatory autonomy.²

Not coincidentally, FCM's membership has risen sharply over the last decade. "In 2007," according to a study of the FCM's history by John Chenier, for a large university-led research project, "membership in the FCM comprised 1,635 municipalities, representing almost eighty-eight per cent of the Canadian population."³ The FCM's period of rapid growth coincided with six years of noticeable success on the advocacy front, first with the GST rebate and subsequently with the gas tax."⁴ This figure is just a few members short of 2,000 today, together representing just over 90% of Canada's population (see figure 1).

FIGURE 1 - MEMBERSHIP MATTERS

FCM represents close to 2,000 municipalities — with over 90% of the Canadian population — across Canada, and has been the national voice of municipal government since 1901. Through their membership in FCM, cities and communities support national advocacy efforts that benefit all municipal governments.



"FCM is the pre-eminent forum to communicate a strong and united voice for Canadian cities."

- Mayor of Vancouver Gregor Robertson, Chair of FCM's Big City Mayors' Caucus

² Ontario's City of Toronto Act (2006); Alberta's Big City Charters (2012); Manitoba's Building Manitoba Fund (2011); Saskatchewan's Municipal Revenue Sharing Program (2007-08); Quebec's *pacte fiscal* (2006) and Newfoundland's municipal revenue sharing agreements

³ Chenier was part of a large, federally-funded research project called "Public Policy-making in Municipalities." Summary information about the project is available at <http://www.ppm-ppm.ca/>

⁴ John Chenier, Canadian Public Administration Special Issue: "Federalism, public policy and municipalities. Volume 52, Issue 3, pages 395-416, September 2009.

A reflection of the growing municipal footprint can be seen by comparing the number of print media mentions since 1993. The FCM now garners 2,000 to 3,000 print media mentions annually, compared to a few hundred references per year in the early 1990s. Further reinforcing the municipal sector’s elevated status in the national discourse, FCM citations in Hansard have increased from a trickle in the 1990s to dozens or more per year in the current period (see Figure 2). FCM spokespersons and

studies are often cited on issues ranging from the adequacy of census surveys to the status of urban aboriginal policy, the implications of climate change and extreme weather, and immigrant resettlement.

The FCM has also become an increasingly active participant in pre-budget consultations and meetings, ensuring that federal officials, cabinet ministers and other members of parliament understand the municipal perspective. See Figure 3.

FIGURE 2: A MORE “LOCAL” PARLIAMENT: FCM MENTIONS IN HANSARD (PER PARLIAMENTARY SESSION)

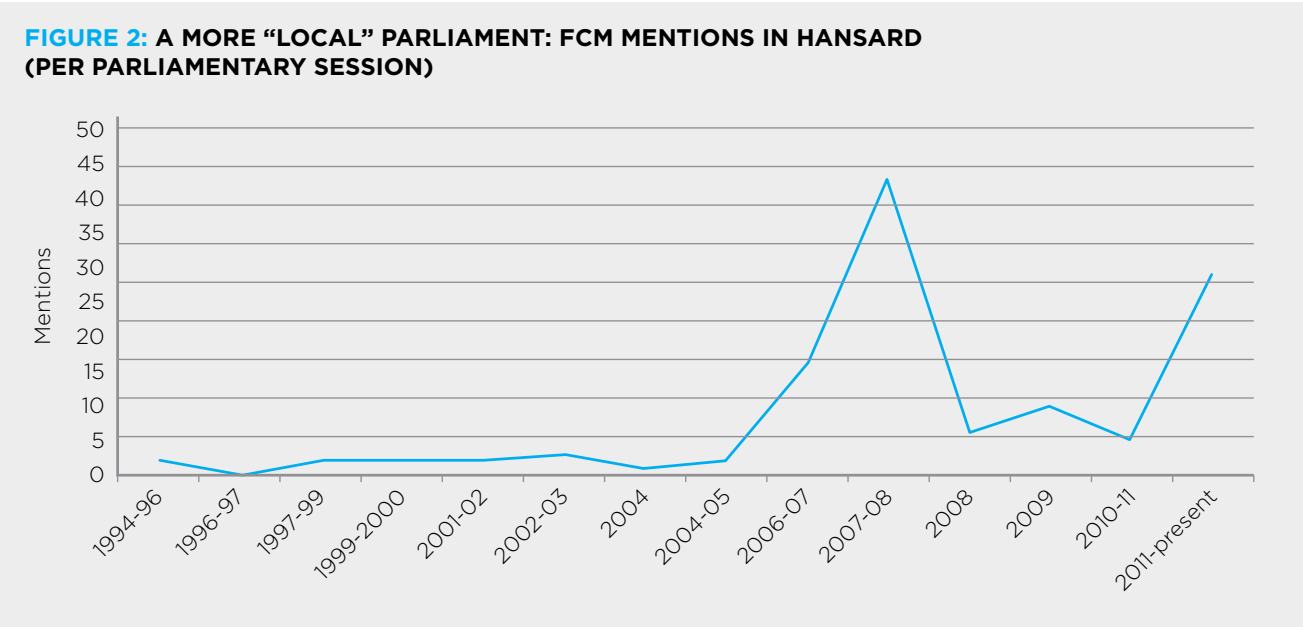
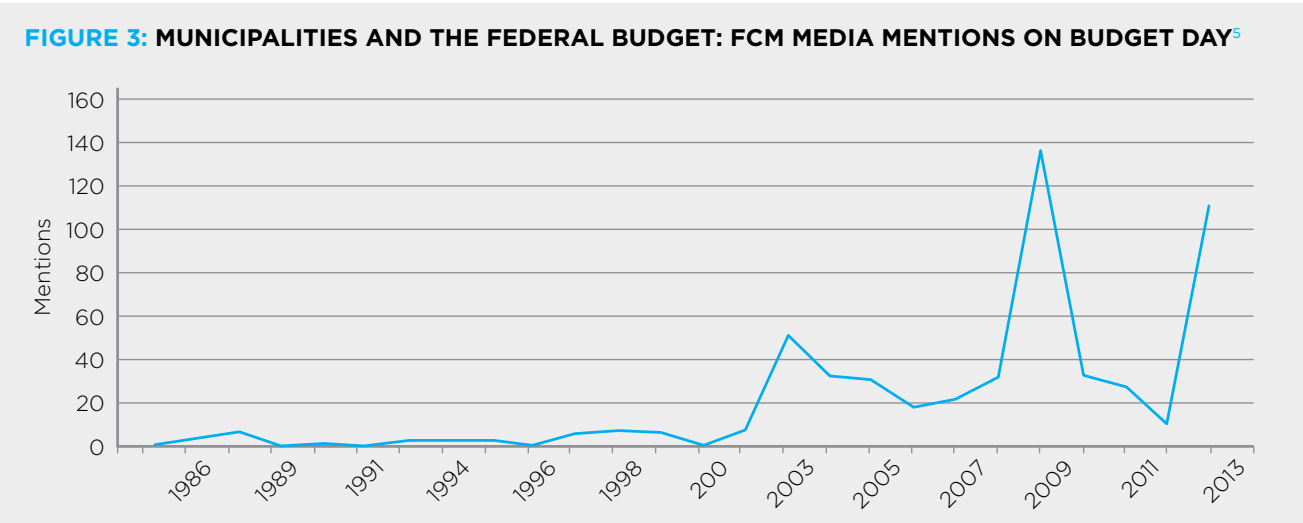


FIGURE 3: MUNICIPALITIES AND THE FEDERAL BUDGET: FCM MEDIA MENTIONS ON BUDGET DAY⁵



⁵ *Note: search term used, “Federation of Canadian Municipalities” AND “budget” from 1987-2013, on the day before, day of, and for the six days following each budget release

Lastly, the organization's policy and advocacy efforts are strongly reinforced by mounting evidence that Canadians recognize the importance of putting municipal issues at the forefront of the national agenda. This sustained shift in public attitudes is confirmed by numerous polls and public opinion surveys conducted both before and after the 2008-2009 credit crisis:

- An April, 2008, an FCM poll of 2,000 Canadians showed that investments in communities and infrastructure ranked as the second-highest spending priority, after health care, with respondents identifying road maintenance, affordable housing and water services as key areas for investment;
- A May, 2008 survey by the Canada West Foundation found that almost six in ten Western Canadians saw transportation infrastructure as a high/very high priority for governments, and in fact ranked this policy goal above lowering personal taxes;
- An August, 2008 poll conducted by FCM and the Canadian Urban Transit Association discovered that over 80 per cent of those surveyed agreed or strongly agreed that more of the federal gas tax should be directed towards investments in public transit;
- A January, 2010, poll done for FCM not only reaffirmed that investment in communities and infrastructure is the second highest priority item for Canadians, but also showed that seven in ten would support increasing the GST to fund local infrastructure.



While FCM's agenda has been driven by locally-elected officials, its greatest successes have been achieved with the help of a steadily growing circle of key stakeholders, starting in the early days of the New Deal with the active interventions of the TD Bank and other influential private sector groups.

In 2011, FCM created the Municipal Infrastructure Forum (MIF) in partnership with key infrastructure stakeholder groups including municipalities, professional associations and business groups from across the country.⁶

The Forum provided a place to share information, exchange ideas and build consensus on Canada's future municipal infrastructure needs in the lead up to Budget 2013.

The Forum held a joint news conference in November 2012 to announce commonly held principles it urged the government to follow in Budget 2013's infrastructure investments, an indication of how broad and strong the support for a new way of doing business when it comes to building infrastructure in this country.⁷

In summary, the linkages between Canada's national and local governments have been thoroughly stress-tested by political, social and economic events, while FCM's public profile has expanded commensurately. But while this connection — now anchored by the federal government's new long-term infrastructure plan and the indexation of the gas tax transfer — has become a fixture of Canada's political landscape, tough questions remain about the depth and effectiveness of the policy relationships:

- Are there ways to improve the accountability and governance of these growing intergovernmental arrangements?
- Do existing policy frameworks (e.g., federal-provincial infrastructure agreements) guarantee the effective and strategic use of scarce resources while delivering a demonstrable return on investment for taxpayers?
- Should the relationship be limited to infrastructure or are there other policy areas that could benefit from expanded engagement with municipalities?
- Can the policy dialogue be expanded while respecting jurisdictional boundaries, principles of local autonomy, and the importance of achieving broader regional and national goals?

⁶ Members of the Municipal Infrastructure Forum include the Federation of Canadian Municipalities, the Toronto Board of Trade, Insurance Bureau of Canada, Engineers Canada, Canadian Union of Public Employees, Canadian Construction Association, Canadian Public Works Association, Canadian Chamber of Commerce and the City of Toronto.

⁷ MIF news release: <http://www.fcm.ca/home/media/news-releases/2012/federal-infrastructure-plan-must-protect-canada%E2%80%99s-local-economic-foundations-says-national-coalition.htm>

The federal government's decision in Budget 2013 to extend the duration of the Building Canada Fund to ten years represents a *policy* refinement. It shows a direct response to assessments that the short-term nature of earlier infrastructure programs may have distorted capital planning decisions by cash-strapped municipalities. Yet, less visible structural problems with Building Canada Fund were left untouched, suggesting that its inclusion in Budget 2013 may have had more to do with politics than policy.

THE CALL FOR CHANGE

In recent years, a growing number of organizations have recognized the importance of incorporating the municipal perspective into policy debates that go beyond the traditional responsibilities of local government.

On its list of the ten most critical issues facing Canada,⁸ for example, the Canadian Chamber of Commerce noted the importance of long-term planning for public infrastructure. But, it also observed, “governments and businesses across regions and sectors” need to join forces to address workforce development issues such as immigration, skills shortages, and education-employment alignment.

In a report released in February, 2013, the Canada West Foundation showed that carefully conceived infrastructure investment is related to macro-economic outcomes such as improved productivity, rising real incomes, and strengthening the social safety net for Canada's seniors, families, and children.⁹ Such goals, however, can only be achieved if governments move beyond an “ad-hoc” approach to investment and adopt a more strategic framework to guide investment choices.

Noting that severe weather events related to climate change has created increased risk to municipal assets, the Insurance Bureau of Canada strongly supported the federal government's new long-term infrastructure program.¹⁰ But such acknowledgments underscore the policy connection between national environmental policies and programs and the priority-setting process that guides infrastructure investment decisions.



In certain instances, the federal government has adopted policies that originated at the municipal level, such as the 5-year, \$119 million “Housing First” strategy for homelessness, which traces its roots to New York City in 1992. It was first tested in Canada as the City of Toronto's 2005 “Streets to Homes” policy and has since been adopted by other large municipalities in Alberta. The new federal program will “include more direction by the federal government, combined with effective local community planning,” as two housing experts recently noted.¹¹

Despite considerable evidence of a lively dialogue between local and national players, the question of how to establish a coordinated policy framework to guide the federal relationship with municipalities remains unanswered.

There have been a broad range of responses over the past three decades, including narrowly focused tripartite agreements, such as Winnipeg's Core Area Initiative (1981) and the Vancouver Agreement (2002), which directed resources and very specific policy tools on the social issues afflicting the Downtown Eastside.

The federal government has also engaged with municipalities through transfers of land, local branding/economic development campaigns, tri-level urban development agencies (e.g. Waterfront Toronto), and investments related to major international sporting events, such as the Vancouver Olympics.

Yet according to a detailed analysis of “multi-level governance” in several Canadian cities (Horak and Young, 2012),¹² municipalities have had limited success in engaging with federal policy-makers in sustained dialogue on issues such as immigrant resettlement, emergency management and urban aboriginal.

⁸ http://www.chamber.ca/images/uploads/Top10/2013/Overview_Top_10_Barriers_2013.pdf

⁹ <http://cwff.ca/commentaries/a-page-for-infrastructure-in-the-policy-playbook>

¹⁰ http://www.ibr.ca/en/Media_Centre/News_Releases/2013/03-21-2013.asp

¹¹ http://www.thestar.com/opinion/commentary/2013/04/30/how_the_federal_government_plans_to_end_homelessness.html

¹² *Sites of Governance: Multilevel Governance and Policy-Making in Canada's Big Cities*, ed. Martin Horak and Robert Young (Montreal & Kingston: 2012)

Further complicating the picture is the fact that different municipalities and different provincial governments have very different approaches to the prospect of engaging the federal government. Certain large municipalities have intergovernmental affairs divisions and maintain extensive contacts with provincial and even federal officials. Many others prefer to leave such duties to provincial municipal affairs ministries.

A municipality's view of the breadth of its relationship with the other orders of government may shift with the composition and ideological perspective of the council and mayor (Horvak & Young).

The option of raising municipal matters through established federal-provincial ministerial committees can be complicated because every province takes a different approach to divvying up municipal responsibilities among ministries (e.g., transportation, housing, municipal affairs, etc.). Consequently, the officials participating in such summits may or may not be engaged in policy and legislative processes that impact the municipal sector.

In fact, it has been the municipal association in Ottawa, FCM, which has had the best success at creating and sustaining new federal-municipal and federal-provincial/territorial-municipal (FPTM) relationships. FCM's deep knowledge of the people and processes that keep the federal government and federal-provincial-territorial (FPT) relations moving, based in part of the organization's ongoing presence in Ottawa, allows it to target the best opportunities at the right time to connect national issues with local priorities. Nevertheless, the FCM's role is limited to national or regional initiatives since the organization is not set up to represent individual municipal governments. True multi-level, place-based policy making requires a new approach to intergovernmental relations.

CHANGE COMES TO OTTAWA... BUT DOES IT ADD UP?

Since the Martin government's adoption of the New Deal for Cities and Communities, and through ensuing policies such as the institutionalization of the Gas Tax Fund and the Conservative government's decision this spring to extend the Building Canada Fund to ten years, the primary point of interaction between municipalities and the federal government involved negotiations with provincial and territorial governments over the allocation of transfers for infrastructure investment.

Early on, the Gas Tax Fund generated intense debate within the Liberal caucus and among municipal leaders about the allocation formula, and specifically whether large municipalities would, or should, receive a proportionally larger share to reflect more costly forms of local infrastructure. Subsequently, through the various iterations of the infrastructure programs, some observers have questioned the opaque process by which federal, provincial and municipal governments identified the projects that would receive funding.



Were the “winners” the result of political horse-trading between provincial and federal officials, or did they satisfy the goals of some kind of broader policy agenda? Citing the findings of interviews with over 200 public officials across the country, Horak writes, “Federal and provincial officials often prioritize different infrastructure projects than municipal officials and in many of [the surveyed] cities, municipal officials complained bitterly that local expertise and preferences are disregarded by decision makers at other levels.”¹³

Are there alternative approaches that provide not just funding consistency but also better governance and accountability to taxpayers?

FCM and other organizations, including the Canadian Urban Transit Association (CUTA), have in the past advocated various proposals intended to provide greater clarity and policy-rigour to the decision-making process.

Some were adopted as policy. As part of the Martin government's “place-based” cities and communities agenda, for example, municipalities agreed to jointly develop “integrated community sustainability plans” (ICSP) as a condition of receiving federal gas tax transfers. Such long-term strategic plans created a policy “bridge” between an individual municipality's plans and broader federal policy goals, such as enhanced environmental sustainability, the promotion of transit-oriented development and improved quality of life.¹⁴

¹³ Ibid *Sites*, pg. 343

¹⁴ The FCM has continued to assist a wide range individual municipalities in developing ICSPs or “sustainable community plans” to guide short, medium and long-range planning, as well as attract funding from the FCM Green Fund.

Others remain unrealized. In May, 2005, for example, the FCM released a report entitled, “Towards a Blueprint for Partnership: Prosperity Through Smarter Government,” which laid out a broad strategy for collaborative decision-making in a handful of key policy fields that closely intersected with municipal concerns: infrastructure, economic development, public safety, immigration, housing and environmentally sustainable communities.

“We believe that governments working collaboratively can get more done at less cost than by working independently and often without coordination,” the report stated. “Taxpayers don’t care about jurisdictional squabbles; they just want the job done. They expect their governments — federal, provincial/territorial and municipal — to work together to find economies, efficiencies and street-level solutions.”

The document proposed that governments at all levels work to develop intergovernmental or tripartite agreements with formal roles for all partners in the areas of housing, immigration and economic development. It also proposed increased coordination and cooperation for policies relating to public safety.

The vehicle for delivering these goals were “sector tables” meant to institutionalize a tri-level policy consultation and formulation process. FCM proposed no more than five sector tables, corresponding to the above-mentioned policy fields. The sector tables would be tasked with “consulting, recommending, coordinating, monitoring and reporting” on the development and implementation of policies and programs developed under this partnership vision for the Liberals’ New Deal agenda. FCM also became directly involved in policy-based program delivery through its administration of the Martin government’s Green Municipal Fund.

FCM’s Green Municipal Fund: innovative partnership to build sustainable infrastructure

In 2000, the Government of Canada partnered with FCM to create an entirely new municipal financing mechanism — the Green Municipal Fund — designed to achieve national goals for a cleaner, healthier environment through the planning and construction of innovative, sustainable infrastructure. The Government of Canada endowed FCM with \$125 million to establish the Green Municipal Fund (GMF), in 2000. Through two subsequent endowments, the Fund is now worth \$550 million. The Fund is a long-term, sustainable source of grants and loans for municipal environmental initiatives.

Through GMF, FCM provides grants and below-market loans, as well as education and training services to support innovative municipal infrastructure initiatives that improve air, water and soil quality, protect the climate, improve service and reduce costs.

As of 2012, FCM had committed to disbursing \$613 million to support 934 green initiatives across Canada. Of the 934 initiatives funded, 162 have been capital projects, of which 70 have been completed and reported environmental results. Together, these 70 capital projects have:

- reduced annual greenhouse gas (GHG) emissions by approximately 339,000 tonnes per year

- reduced air contaminant (criteria air contaminants or CACs) emissions by over 445,000 kilograms per year
- diverted from landfill over 138,000 tonnes of waste per year
- made over 67 hectares of previously unusable land available for use
- improved the quality of over 33,000 cubic metres of soil
- treated over 136 million cubic metres of water per year
- reduced water consumption by over 290,000 cubic metres annually

GMF-funded initiatives are delivering environmental benefits for their communities, along with real economic savings and social benefits. In fact, GMF-supported initiatives have leveraged as much as \$3.7 billion of economic activity in more than 460 communities.

The growing number of innovative, green infrastructure initiatives led by municipalities and supported by GMF is not only helping to lay the foundations for a green economy in Canada, but demonstrating how sustainability can improve our quality of life.

Though the [sector] tables concept as designed did pose representational and decision-flow problems for the FCM,” observes Chenier, “it also represented the permanent structures the FCM had long sought, a concrete demonstration that the federal government recognized the need for an ongoing relationship.”¹⁵ The table model, however, straddled the two core functions of government, policy development (legislative) and program implementation (operational).

When the Conservatives came to power in 2006, the new government moved to make the gas tax fund permanent in 2008. But the Conservatives also opted not to pursue the FCM’s sector table proposal, and indeed loosened other conditions and criteria attached for federal infrastructure funding.

While this approach reflects the current government’s putative belief in traditional constitutional arrangements, it fails to account for the complicated inter-relationships that exist between federal policies and locally delivered services.

Various political scientists have noted that the federal government lacks a “knowledge centre” about the depth and texture of urban/municipal issues in Canada today. As Chenier writes, “What are the major problems in our major urban areas? What are the effects of depopulation and technological deprivation on rural Canada? What impact do federal packaging laws (or absence thereof) have on local waste disposal? Questions such as these suggest common causes but they do not imply common outcomes. Canada’s major urban areas do have major problems that are beyond their financial abilities to redress, but they do not necessarily call for the same solutions. The same can be said for the problems confronting rural Canada.”

The call for a new rural vision

In 2009, in the face of a fast transforming rural landscape, due to demographic changes, a commodities boom, new resource extraction technologies like fracking, and a rural policy and leadership vacuum in Ottawa, FCM released *Wake-Up Call: The National Vision and Voice We Need for Rural Canada*.

The report outlined the importance of strong rural policy co-ordination across federal departments, long-term strategies and funding commitments, and strong rural representation at the federal cabinet table.

Yet as more federal funding flows into municipalities -- and therefore affects every aspect of their decision-making processes -- the importance of an accompanying policy framework to provide accountability becomes that much more important, especially in an era of tight resources and budget shortfalls.

Transit investment presents a case point. In the past dozen years, the annual amount of federal funding flowing into transit projects has grown from nothing to approximately \$600 million to \$1 billion annually, according to data compiled by CUTA. Of the \$53.4 billion required for public transit infrastructure for 2012-2016, external funding sources must provide about \$13.5 billion, or about 25%.

A portion of that funding will come from federal infrastructure programs. But will the investment go to projects with the most merit from a transportation planning perspective, or the greatest political *cachet*? What will be the impact on transportation and development patterns in those municipalities or regions that receive the funding? How do such investments serve the growing ranks of seniors in rural or suburban communities? Do such investments affect local labour markets, existing economic development strategies, existing immigration recruitment and re-settlement efforts, or regional emission levels? And will they serve communities with sufficient population density to produce economically sustainable ridership levels, or is there a risk of burdening local municipalities — and therefore individual ratepayers and families — with increased property taxes and transit fares due to unexpectedly high operating shortfalls?

The answers to such questions clearly overlap with a range of federal policy arenas, as well as the lives of individual Canadians. But in the absence of a policy lens and framework for evaluating the merit of such projects,¹⁶ the current government’s deference to jurisdictional boundaries has the potential to create unintended consequences for all three orders, as well as individuals Canadians.

In summary, the FCM’s success in expanding the federal government’s relationship with Canada’s municipalities in recent years highlights the renewed significance of a much more robust and collaborative approach to policy making as an adjunct to enhanced investment by all three orders of government.

¹⁵ *Ibid* Chenier

¹⁶ The current government rejected a 2007 call for a national transit strategy, as well as an FCM request advanced during the 2013 budget negotiations that a portion of the next infrastructure program be earmarked for transit projects.



PART 3: Charting the way forward

THE ROOTS OF THE PROBLEM

Local governments in Canada are, to use a shop-worn phrase, creatures of the provinces. In the abstract, this would not be a critical national policy issue. It certainly wasn't in 1867.

But the world has changed dramatically over the last 145 years, and the issues, challenges and opportunities that municipal governments are confronted with today are of a scope and complexity that the Fathers of Confederation never would have imagined; just as they could not have imagined the role that local governments world-wide would play in the prosperity of nations.

As a result of this historical disconnect, many of the institutional relationships that govern municipalities today are not adapted to the place and role cities and communities play in Canada's global economic standing, or the many issues that affect them and their residents.

Compounding the problem, the very institutional fractures at the root of this situation stand in the way of attempts at finding solutions.

The division of powers envisaged by the Fathers of Confederation in 1867 as a necessary compromise has morphed over the years into as many silos that provide cover for government inaction in the face of growing cross-jurisdictional policy challenges. This is particularly true with respect to municipal affairs.

Under our Constitution, the federal government has no direct policy or legislative role vis-à-vis local governments, but this has not kept it from using its spending power to intervene in municipal affairs, notably by creating a series of national infrastructure

programs. This explains why the major constant through 20 years of shifting federal attitudes toward local governments has been that federal interventions in this area have been:

1. largely viewed through an issue rather than a municipal-centric lens; and
2. driven by political circumstances, not overarching policy considerations and objectives.

The absence of well-established policy frameworks, along with the cover provided by Canada's outdated constitutional arrangements, have provided successive federal governments with the latitude to align opportunities for policy interventions to the political circumstances of the day with few concerns for their long-term efficacy.

This should not come as a surprise. Why would the federal government want to take on long-term political and fiscal liabilities unless it had to? Looking at many of the ad-hoc and short-term federal interventions over the last 20 years through this lens helps explain why so few delivered meaningful structural change or addressed underlying problems.

Then came two game-changing federal initiatives: 2011 legislation that made the transfer permanent and the Budget 2013 announcement that the government would index the Gas Tax Fund. As a result of these last two measures, the Gas Tax Fund has been transformed into a kind of equalization program for roads and bridges and other works that implicitly reflects the federal interest in efficient and safe infrastructure and, more importantly, the importance of fiscal transfers to address the structural weakness in municipal finance systems.



OPENING A NEW CHAPTER

Does the fact that there has been just one example of a truly transformative federal initiative in 20 years mean that Canada's cities and communities are destined to continue limping along, struggling to make ends meet in the face of growing challenges?

The answer must be a resounding no.

For Canada to embrace the 21st century with confidence, it needs cities and communities that contribute according to their full potential. The only way they can do this is with tools adapted to their new realities and roles.

The time has come for new and innovative thinking and political courage. It's no longer enough to say that the system is broken, the time has come to fix it. Whether the issue is infrastructure renewal, public safety, affordable housing or mitigating the impact of extreme weather events, Canada can no longer afford to have its governments continue working at cross-purposes, or in isolation, or toward short-term political fixes.

FCM and the municipal sector recognize the need to respect jurisdiction, but reject the notion that 19th century jurisdictional frameworks can be used to excuse inaction on 21st century issues. Governments must look collaboratively for solutions, real solutions that work at street level.

But recent history suggests this will not happen until an accountability framework adapted to the 21st century is in place. And in a country as vast and diverse as Canada, a powerful catalyst will be needed to break through the institutional inertia that now stands in the way of that goal. Only the Government of Canada can provide that catalyst.



Three things need to occur:

1. First, there has to be an explicit **federal recognition** of the role of cities and communities in national prosperity, of the challenges they face, and of the national interest in vibrant, competitive and safe communities.
2. Second, such political recognition must be made tangible through a formal and **transparent framework** to guide federal policy development and program interventions in this area and create clear accountabilities.
3. Third, and most important, this must lead to the **collaborative development of policies** and programs that focus on those issues that remain tangled in the web and clutter of outdated policies and jurisdictional obstacles.

1. Federal recognition

There is little point talking about a new, national collaborative policy framework to address the challenges that Canada's cities and communities — and by extension Canada — face, if the political will to formally acknowledge the issues and need is not there.

As long as federal policy rationales evoke reductionist justifications rather than getting at the root of the problem, the result will continue to be boutique programs designed to provide visibility but little accountability.

The Government and the Parliament of Canada have to use the procedural, legislative and policy tools at their disposal to name the problem and acknowledge their role and responsibility in addressing it. Until that happens, the will to develop real solutions instead of short-term band-aids will not have been demonstrated.

2. A transparent framework

As a corollary to federal recognition of the issues affecting local governments and of its role in addressing them, the next step in creating a new paradigm for federal-provincial-municipal relations must be the development of a clear policy framework to govern federal interventions in the municipal sphere.

To respect jurisdiction, development of this policy framework must involve cooperation and consultations with provinces, territorial governments and the municipal sector (represented by FCM).

Such a policy would put a solid frame around the federal spending power in the municipal sphere by identifying issue areas where there exists a clear federal interest as well as the desired outcomes. As a result, it would bring greater certainty and predictability to federal interventions and improve government planning and budgeting at all levels.

Finally, this kind of formal framework that spells out issues and goals would create the outcome-based accountabilities necessary for policy evaluation and success.

3. Collaborative policy development

More and more, the roles and responsibilities of federal, provincial, territorial and municipal governments overlap and evolve, reflecting changing social, political and economic realities.

In most Canadian jurisdictions, municipal governments are key players in the implementation of the policy agendas of federal and provincial governments. They are directly involved in the provision of services related to a host of national and regional priorities, such as efficient transportation, public safety, social services, housing and immigrant-settlement services, to name a few.

This situation reflects two things: First, the principle of subsidiarity which suggests that since local governments are more familiar, visible and accessible to Canadians, they are often in the best position to make the most informed and efficient decisions on the delivery of public services; second, that the inherent complexity of many of the issues requires coordinated and multi-level strategies.

This means that moving from the ad-hoc nature of past federal (and provincial) interventions on many of these issues, toward formal and collaborative policy-making, is an essential part of the solution.

ILLUSTRATIONS OF A BROKEN SYSTEM

The problems with the way federal interventions in issues that also concern local governments now occur can be divided into three categories: unfunded mandates; inefficient policy and program design; and a systemically ad-hoc approach. The three examples below illustrate each of these.

Unfunded mandates: Public Safety

There is nothing more important to Canadians than the safety of their families and communities. Canadians have a right to expect that governments are making the very most of every dollar they invest fighting crime and its causes, properly funding their policing, public safety and crime prevention duties, and tearing down silos between federal, provincial, and municipal police forces.

Unfortunately, that is not the case.

Canada's policing system is badly in need of repair. Over the past 30 years, an unsustainable share of Canada's policing duties have been shifted onto municipalities, either through direct downloading or the inability of an overburdened RCMP to fulfill its full responsibilities.

Today, municipalities pay more than 60 per cent of total policing costs, including \$600 million worth of downloaded federal policing duties in areas such as border security, international drug trafficking, and cyber-crime. Policing and public safety is the fastest-growing area in municipal budgets, making up more than 20 per cent of local spending and is becoming unsustainable.

All orders of government must work together to address the issues of policing roles, responsibilities and the allocation of resources. Without a new approach, which includes dedicated funding support for front-line policing and fighting the causes of crime, these costs will push property taxpayers to the breaking point and crowd out other essential services.



Inefficient policy and program design: Infrastructure investments

Between 1993 and 2002, the Government of Canada invested approximately \$10 billion in municipal infrastructure repair and construction, largely through a series of application-based programs.

Until the introduction of the Gas Tax Fund in 2005, the seven-year Building Canada Plan in 2007, and the 10-year new Building Canada Plan announced in the 2013 federal budget, most of these programs tended to revolve around two to three year funding frameworks. In addition, all programs except the GTF were application-based, which had the effect of creating a “funding lottery” that discouraged long-term capital planning.

Traditionally there have been two principal issues with federal infrastructure funding: program duration and allocation, and scope.

Short-term programs do not align with municipal planning frameworks that typically extend 10 and 20 years into the future. As a result, it is very difficult for local governments to integrate such funding programs into their long-term asset-management plans. This often results in second and third tier priorities being funded instead of high priority strategic projects.

Likewise, the federal government’s current allocation method (with the exception of the GTF) compounds the uncertainty by creating allocating funds through an application-based approach. This serves to further distort local planning decisions by encouraging projects based not on their objective local importance but based on their likelihood of winning the lottery. By shifting scarce resources away from priority repairs and upgrades, this can actually contribute to the infrastructure deficit.

The announcement of a 10-year funding horizon for the new Building Canada Plan is good news as it will alleviate part of the problem. However the apparent decision to maintain an application-based allocation model will continue to inject an unsustainable bias into municipal infrastructure investment decisions.

The second major shortcoming of federal infrastructure policy over the years has been the absence of a clear policy scope and focus.

While successive programs have included general policy statements and objectives, such as encouraging green infrastructure; or in the case of stimulus funding, job creation, they have not included quantifiable targets or policy objectives. This has resulted in the establishment of transactional accountabilities, such as determining whether the money was spent for the intended project; rather than strategic accountabilities such as measurable reductions in commute time or water or air quality.

Systemic ad-hockery: Housing

Growing cracks in Canada’s housing market are hurting communities, taxpayers, and the national economy.

Rising housing prices and rental shortages are making it difficult for communities to attract the workers they need to support the national economy. Tens of thousands of families, senior citizens and new immigrants are struggling to find adequate, affordable shelter. Chronic homelessness continues to put an unsustainable burden on taxpayer-funded police forces, emergency rooms and social services.

While the provision of affordable and quality housing has been seen as an area of shared responsibility, the gradual withdrawal of the federal government over the last 25 years has been characterized not by a clear break, but by the continuation of short-term funding and band-aid solutions.

Just as with infrastructure funding, the federal government’s approach to investments in affordable housing has fostered the kind of uncertainty that makes planning problematic if not impossible. Over the years, it has also made the leveraging of community and volunteer-based resources difficult.

We must build on the new spirit of intergovernmental partnership to design more robust and more efficient funding programs that support goals that go beyond two and three year funding cycles. Then and only then will we have the housing families, workers and businesses need, and reduce the high toll of homelessness on individuals, communities and taxpayer-funded services.





Conclusion

The institutional arrangements that govern the place and role of Canada's local governments in the federation reflect a bygone era. Not only do these fail to provide the fiscal and legislative tools needed to meet the challenges of the 21st century, they discourage long-term federal thinking and engagement in its relations with local governments.

Finding solutions must start with an acknowledgement by the federal government that cities and communities must be full partners in national prosperity. This must be followed by the development of a new framework governing relations between the federal government and Canada's municipal governments. Finally, efforts at addressing the many and varied issues that play out in our cities and communities require a collaborative and cooperative approach.

If this sounds like what's needed is a re-invention the federal-municipal relation, it is. Anything short of this will mean falling to deliver the change that is needed for our cities and communities to succeed.