

The State of Canada's Cities and Communities 2012

HIGHLIGHTS AND KEY FINDINGS



Introduction

Communities matter.

From our largest cities to our most remote villages, communities matter: to our economy, to our families, to our future. Like never before, Canada needs strong cities and communities to compete in the global race for jobs, talent, and investment.

But despite their importance, Canada's cities and communities have spent most of the past 25 years in a state of decline. There is hope, however. In the last few years the Government of Canada has recognized that many of the growing problems in our cities and communities are national in scope. A lot has happened during the last few years. As we make plans to protect and build on the gains we've made, we need to look closely at what we have achieved and what we still have to do.

This report helps to understand the underlying health of Canada's cities and communities in 2012. Given the scope and complexity of the question, this report does not pretend to be comprehensive or to give the last word on the issue. It is just one contribution to an important and pressing conversation.



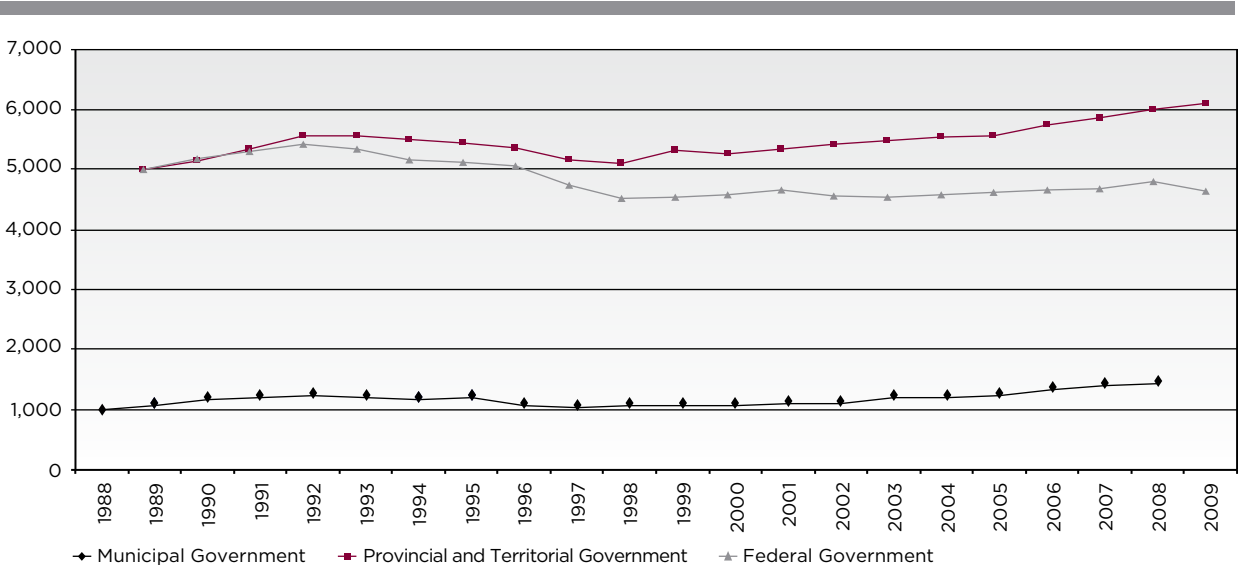
Report Highlights

PART ONE of the report reviews the underlying fiscal causes of the growing challenges that have played out in Canada’s cities and communities during the past two-and-a-half decades.

Chapter 1: The State of Municipal Finances

Over the past 20 years, federal government expenditures in constant dollars per capita have been declining, while their revenues have been increasing. Provincial/territorial government expenditures have been increasing at almost the same rate as their revenues. However, both federal and provincial government revenues fell in 2009. Municipal government expenditures have been increasing at a faster rate than their revenues over the past 20 years.

ALL GOVERNMENT EXPENDITURES PER CAPITA, 1989-2009, IN CONSTANT (1988) DOLLARS

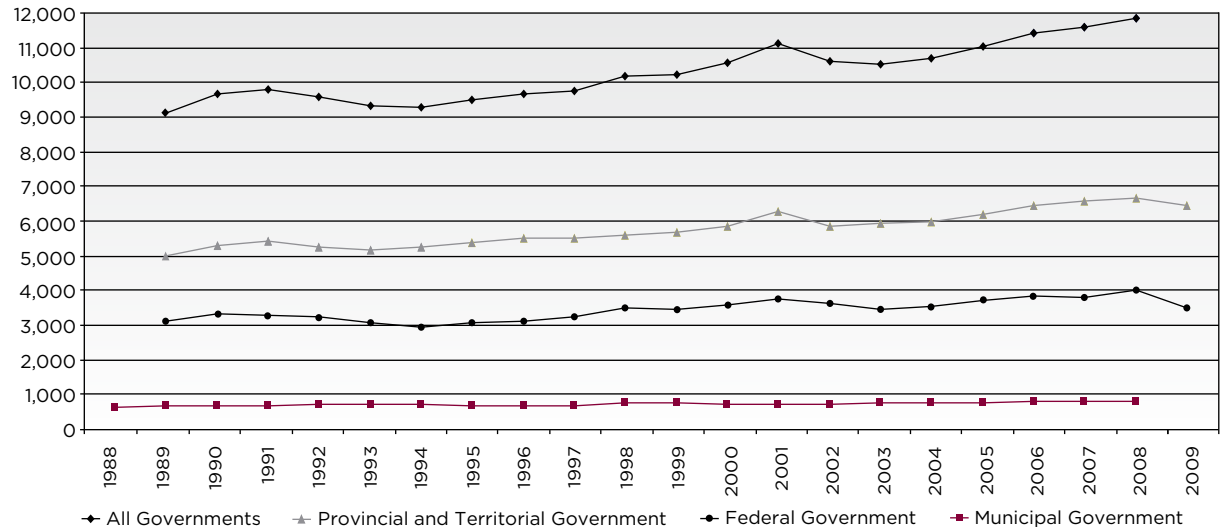


Source: Statistics Canada, National Economic Accounts, CANSIM Table 385-001, 002, and 0024.

In 1961, all governments in Canada collected \$10 billion in tax. In 2011, they collected \$545 billion. This additional \$535 billion amounts to an increase of \$11,700 in real or inflation-adjusted per capita taxation. Which governments were responsible? The federal government was responsible for about \$5,000 or 43%. Provinces were responsible for \$5,700 or 50%. All local governments were responsible for \$900 or about 7%.



TOTAL TAX REVENUE PER CAPITA, 1988-2008, CONSTANT (1988) DOLLARS

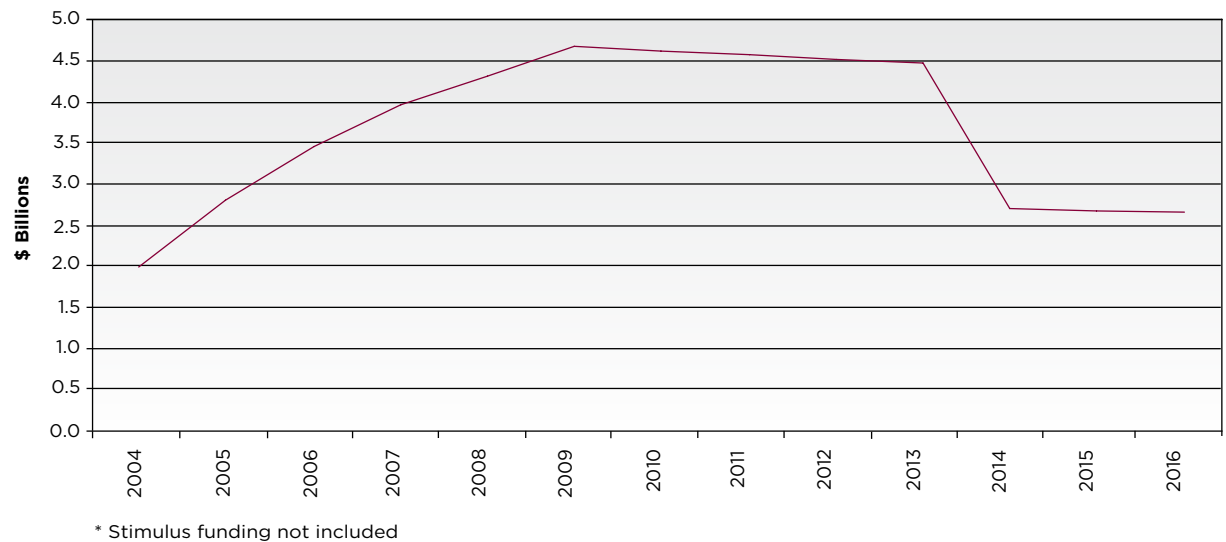


Source: Statistics Canada, National Economic Accounts, CANSIM Table 385-001, 002 and 0024.

Chapter 2: The State of Federal Investments in Municipalities

Figure 1 shows federal investments in cities and communities. Note that stimulus spending is not included. These investments have done more than slow the decline in municipal infrastructure; they have created an opportunity to stop it for good. The Government of Canada can turn recent gains into lasting solutions.

FIGURE 1: FEDERAL INVESTMENTS* IN MUNICIPAL INFRASTRUCTURE, 2004-2016



But Figure 1 also shows what is in store in the coming years. More than one-third of current federal investments in our municipalities are scheduled to expire in the next 36 months. The Gas Tax Fund – the foundational federal infrastructure program – will see nearly 50% of its current value eroded by inflation and growing needs over the next two decades. These are not one-time stimulus dollars, rather, these are core investments to repair roads, house low-income seniors and keep police patrolling our streets.



PART TWO of the report looks at the state of intergovernmental cooperation in Canada, and reviews the progress Canada has made on that front over the years, in four areas:

Chapter 3: The State of the Federal-Municipal Partnership: Towards a Seat at the Table

The municipal struggle for a new relationship with the federal government has led to a seismic shift in federal government thinking about its relationship with local government, resulting in unprecedented federal investment in cities and communities with unprecedented returns. It was also the catalyst for the municipal sector's growing maturity and consolidation, as individual cities and communities came to understand that local problems had a common root and they were stronger speaking with one voice.

Each step in this developing relationship increased the capacity of the municipal sector—speaking and acting through FCM—to be a full partner with the other orders of government. That capacity has been demonstrated. Now it's time to put it to work.

Chapter 4: The State of Policing and Public Safety

There is nothing more important to Canadians than the safety of their families and communities. Despite declining crime rates, however, the costs of crime measured in lives and property remains staggeringly high.

Canadians have a right to know that governments are making the very most of every dollar they invest fighting crime and its causes, properly funding their policing and public safety duties, and tearing down silos between federal, provincial, and municipal police forces.

Canada's policing system, however, is badly in need of repair. During the past 30 years, an unsustainable share of Canada's policing duties has been shifted onto municipalities, either through direct downloading or the inability of an overburdened RCMP to fulfill its full responsibilities. This puts a strain on the limited fiscal capacity of municipalities. As more money is spent on policing, there are fewer resources available to address other services that contribute to safe and healthy communities. This is not sustainable for municipalities or for property taxpayers.



Chapter 5: The State of Affordable Housing

Canadians and their governments can no longer rely on home ownership alone to meet housing needs. The fundamentals that supported growth in home ownership—declining mortgage rates, extended mortgage terms, low down-payments, and a strong economic outlook—have ended.

But there is a problem in our housing stock. While one-third of Canadian households are tenants, strong economic conditions in the late 1990s resulted in a surge in home ownership, reducing pressure on rental accommodation. As a result, the relative proportion of rented dwellings to owned dwellings has been declining across the country for 20 years.

Despite a modest increase in rental starts between 2007 and 2010, since 2001 less than 10% of housing starts in Canada's largest communities were intended for the rental market. This imbalance has led to sharp reductions in vacancy rates and increased rents, particularly on more affordable rental stock.

Taken together, the indicators reviewed in this chapter suggest the need to increase and preserve purpose-built rental housing to bring rental vacancy rates into balance, and ease the pressure on Canada's home-ownership market.

Chapter 6: The State of the Environment: Cities and Communities Acting Locally

In Canada, the environment is an area of shared responsibility, typically thought of in terms of federal and provincial jurisdictions. Local governments however are also partners and in many ways. Municipal policies such as land use plans, transportation investments and waste management strategies have a greater impact on the environment than the policies of any other order of government. They are also critical to enhancing quality of life and making communities more attractive for investment, businesses and labour.

This chapter highlights two areas of municipal action – among many – that protect the environment and position Canada to be a leader in sustainable technologies and services:

- solid waste management, which reduces land impacts, helps mitigate climate change and generates secondary resources.
- climate change adaptation, which makes infrastructure investments go further in the context of a changing climate.

Both are areas that highlight the leadership of municipal governments – pushing boundaries and creating examples for the rest of the country.

A full copy of the report can be found at www.fcm.ca.

