

**Written Submission for the Pre-Budget Consultations in
Advance of the Upcoming 2025 Federal Budget**

By: The Federation of Canadian Municipalities

Overview of FCM's recommendations for Budget 2025:

Recommendation 1– Municipal Growth Framework: That the federal government commits by the upcoming Fall Economic Statement to convene a meeting of all orders of government to negotiate an urgently needed [Municipal Growth Framework](#). This would enable Canada's long-term growth by ensuring municipalities have access to diverse, adequate and predictable sources of revenue, providing Canadians with safe, resilient, sustainable communities and improved quality of life of Canadians for generations to come.

Recommendation 2 – Housing and Homelessness: That the federal government takes the next vital step to tackle the national housing and homelessness crisis by building on Budget 2024 with a coordinated investment and policy approach to further increase the supply of non-profit housing. This should include a Housing First-based approach for supportive housing that is cost shared between federal, provincial and territorial governments and a long-term plan to provide housing for asylum claimants.

Recommendation 3 – Infrastructure Investment and Resilience: That the federal government partner with local governments to address the urgent water and wastewater infrastructure gap and fully implement the National Adaptation Strategy to address growing risks from climate change and extreme weather. Additionally, municipalities need long-term funding for disaster mitigation, adaptation and natural infrastructure, while supporting resilient, low-carbon housing and communities.

Recommendation 4 – Safe and Supportive Communities: That the federal government ensures adequate RCMP service and staffing levels and commit to meaningfully consult municipalities about all decisions related to the future of RCMP contract policing, especially regarding increasing policing costs. Additionally, the federal government should commit to working with all orders of government to address and invest in community-based mental health and substance use care, ensuring appropriate support for those in crisis. This would allow police resources to be refocused on growing public safety challenges such as property theft and violent crime.

Dear members of the Standing Committee on Finance,

The Federation of Canadian Municipalities (FCM) represents over 2,000 municipalities across Canada including urban, rural, northern, and remote communities of all sizes. Together, we represent more than 90 percent of Canadians.

Local governments are closest to the needs of Canadians and are on the frontlines of some of the most pressing challenges Canada is facing today.

Like you, FCM is keenly aware that as we submit these recommendations, Canadians are struggling amid an affordability crisis and the cost of living. For over a year, FCM has been making the case that by modernizing how we fund municipalities, we can give struggling families a boost in their quality of life, providing them with infrastructure like roads, water, parks and recreation facilities and essential local services they can rely on.

As Canadian communities grow at a record rate, this urgent need for predictable, adequate municipal funding will only increase – and the window for effective action is shrinking rapidly.

That's why our recommendations for the upcoming Fall Economic Statement and Budget 2025 are all underlined by a clear call for the federal government to support the negotiation of a new Municipal Growth Framework, and to better link municipal resourcing to national economic and population growth.

We are asking the federal government to commit by the upcoming Fall Economic Statement to convene provincial, territorial and municipal leaders to negotiate this framework for growth.

On behalf of our members, below we present our priority recommendations ahead of Budget 2025.

1. The urgent need for a Municipal Growth Framework

Canada's municipalities are responsible for maintaining and delivering most of the infrastructure and services that support Canadians in their daily lives, including roads, water, public transit and essential community services.

However, municipalities are struggling to fund these services under a 19th-century revenue framework that was never designed for the realities of the 21st century. The historic population growth our country is experiencing is only adding to the urgency for reform.

As part of a renewed fiscal model, FCM is calling on the federal government to increase direct annual federal transfers by \$2.6 billion, link federal transfers to GDP and broaden eligible expenses under federal transfers to include operating costs. Provincial and territorial governments would then agree to match the level of funding provided to municipalities by the federal government. FCM has put forward a [substantive advocacy paper](#) that outlines how provinces and territories could fund this by reforming and modernizing municipal finance in their jurisdictions.

This approach would help to reduce reliance on funding from federal, provincial and territorial governments, and provide municipalities with long-term financial sustainability.

The upcoming Fall Economic Statement is the ideal opportunity to commit to a conversation that would bring together federal, provincial, territorial and municipal leaders in the spirit of true partnership so we can agree this framework —and collectively deliver for Canadians.

2. Crucial next steps to tackle housing and homelessness

Canadians remain deeply concerned about housing affordability. Put simply, we need to build more homes more quickly to accommodate our growing population, while doing more to prevent and address homelessness in our communities.

Municipalities are doing their part to increase housing supply by speeding up permitting and easing regulations. However, new housing requires municipal infrastructure to underpin it.

Federal funding through the Housing Accelerator Fund, the Canada Housing Infrastructure Fund and the Canada Infrastructure Bank is helping to address this gap but given the rapid pace of growth, a new municipal funding model is needed to pay for housing development.

Increasing the supply of standard housing is only one part of the solution. To tackle the housing affordability crisis, we also need to steadily increase the supply of non-profit housing by building on the measures contained in Canada's Housing Plan. This should include a new Housing First-based approach for those experiencing chronic homelessness and/or those with complex needs which is cost-shared between federal, provincial and territorial governments.

Additionally, we need a long-term plan to provide housing for asylum claimants. FCM was encouraged to see the federal government's commitment in Budget 2024 to work with all orders of government to find long-term solutions to prevent asylum seekers from experiencing homelessness. We look forward to co-developing that plan with the federal government and to seeing further commitments in Budget 2025.

3. Decisive infrastructure renewal that Canadians can rely on

With Canada growing at a rapid rate and extreme weather events multiplying, infrastructure like roads, water facilities, public transit and more are under increasing pressure. When these assets fail, they endanger Canadians, seriously impact our quality of life and local economies, and put enormous pressure on municipal budgets.

According to the most recent statistics¹, 14 percent of municipal waste and water infrastructure and municipal transportation assets are currently in “poor” or “very poor” condition and require immediate repair or replacement. The cost of renewing or rehabilitating all municipal assets currently in “poor” and “very poor” condition was reported to be approximately \$170 billion in 2020.

Aging public infrastructure impacts communities of all sizes and in all regions of the country. While being home to just under a fifth of Canada’s population, rural communities are responsible for nearly one third of the replacement costs of municipally owned core public infrastructure in 2020.

While Budget 2024 recognized the important connection between infrastructure and housing development by pledging \$6 billion over 10 years through the Canada Housing Infrastructure Fund, municipalities continue to face an urgent funding shortfall to repair and renew existing municipal water and wastewater infrastructure.

The seriousness of water infrastructure failures was made clear this summer, when major Canadian cities including Calgary and Montreal suffered water main breakages. Calgary’s breakage on June 5 has resulted in months of ongoing difficulties for Alberta’s largest city and costs that will run into tens of millions of dollars, while the breakage in Montreal on July 12 shut down a major hospital and flooded one of the city’s main traffic arteries.

As such, FCM is looking to Budget 2025 for additional near-term funding for municipal water and wastewater infrastructure.

Furthermore, as we navigate another summer of serious wildfires, flooding, and extreme weather, the need to fully implement the National Adaptation Strategy is clear.

Municipalities are on the frontline of the climate challenge. On one hand, they are dealing with the serious structural consequences of climate change (e.g., the increased cost of maintaining existing infrastructure). On the other, they are doing everything in their power to protect Canadians from more frequent and intense climate disasters (e.g., flooding, wildfires, extreme heat).

¹ Infrastructure Canada. Canada’s Core Public Infrastructure Survey. 2020: <https://housing-infrastructure.canada.ca/plan/ccpi-ipec-eng.html>

More than ever, there is an urgent need for long-term funding for disaster mitigation, adaptation and natural infrastructure that supports resilient, low-carbon housing in our communities. Accordingly, FCM reiterates the pressing need for an immediate top-up to the Disaster Mitigation and Adaptation Fund (DMAF) totalling \$2 billion, with an additional \$1 billion earmarked each year for the next decade.

4. Critical support to keep communities safe

All Canadians deserve to live in safety. Municipally funded police services and first responders face a growing list of public safety challenges that are straining already limited local resources. From increasing rates of violent crime and property theft to the impacts of the opioid and mental health crises, cities and communities are struggling to keep up.

With community policing being so vital for communities from coast to coast to coast, FCM continues to strongly recommend the federal government ensures adequate RCMP service and staffing levels and commits to meaningfully consult municipalities on all decisions related to the future of RCMP contract policing.

Municipal policing costs are the biggest and fastest growing expense for municipal budgets. Between 2010-2021, police budgets increased an average of 24% in Canada's 20 most populous municipalities, ranging from 36% in Winnipeg, 41% in York Region, and 55% in Quebec City. A Municipal Growth Framework would help equip municipalities with the resources to fulfill their public safety mandate, and ensure Canadians can live, work and play in safer communities.

Crucially, the federal government should commit to working with all orders of government to address and invest in community-based mental health and substance use care, ensuring appropriate support for those in crisis. With this approach in place, police resources could be refocused on growing public safety challenges such as property theft and violent crime.

Conclusion

These recommendations are presented with a focus on both the pressing priorities of Canadian communities today, and the fast-approaching needs of tomorrow.

Fixing Canada's outdated fiscal framework would help realize success in all of the focus area listed above. We all need to be at the table to discuss it, to achieve progress and to deliver for Canadians.

Your action on these recommendations will support a future where Canadians will see their communities grow confidently, with scale and ambition.

It would deliver more affordable housing, infrastructure, and the climate change resilience that we, and future generations of Canadians, so urgently need.

Accordingly, we ask you to strongly consider these recommendations and to take action.

FCM stands ready to discuss these recommendations and to further collaborate in order to support their successful implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoff Stewart". The signature is written in a cursive, slightly slanted style.

Geoff Stewart
FCM President
Deputy Mayor of Colchester County, Nova Scotia