



Next Generation Infrastructure

**A summary of FCM's
recommendations for the
future of federal infrastructure
and transit programming**

Fall 2023



FEDERATION
OF CANADIAN
MUNICIPALITIES

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CANADIENNE DES
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The municipal vision: Building the Canada we want in 2050

Imagine the year is 2030, 2040, or even 2050. Imagine living in a country where our infrastructure is designed to serve and meet the needs of all Canadians, while being affordable and accessible for everyone. A place where our goods and services can avail of rapid transportation across the country and beyond for the benefit of families and business owners alike. A Canada where we meet our climate goals and reach net zero emissions by 2050, where people living in Indigenous and remote communities have access to clean water and adequate infrastructure, and where we spend less time in traffic and more time with our loved ones.

This is what we can build together for our smallest towns, our biggest cities, and everything in between. But this vision will only become reality if we make the right investments, right now. Municipal infrastructure is far more than just roads and buildings—it is the foundation on which our communities are built and the economy functions. **We simply cannot build new housing without first expanding or upgrading the municipal water, transportation and community infrastructure those housing units require.** And if we want to add density within existing neighbourhoods and towns in order to create more transit oriented communities on a path towards Net Zero, then we need to collectively increase our investment in renewing existing infrastructure assets.

Infrastructure investment is vital in supporting Canadians' quality of life, as is a much-needed new Municipal Growth Framework that will link municipal resourcing with national growth factors like economic and population growth.



Our towns and cities are growing quickly—and that’s a good thing. But our infrastructure is having a hard time keeping up. We don’t have nearly enough affordable and high density housing to meet demand, and as a result, we are being confronted with a housing crisis that has been generations in the making. Our public transit systems aren’t being developed fast enough to adequately connect people to places, leaving our roads congested and our environment worse off. Municipal hubs like community centres and libraries are, in many cases, too small and too old to keep up with the rising demands.

According to Statistics Canada’s Core Public Infrastructure Survey, 14% of municipal waste and water infrastructure and nearly 14% of municipal transportation infrastructure is currently in “poor” or “very poor” condition and requires immediate repair or replacement. FCM has estimated that the cost of replacing or rehabilitating all municipal assets currently in poor condition is more than \$176 billion.

FCM is advancing a set of clear recommendations for Budget 2024 that will set the foundation for the future of federal infrastructure programming.

These are intended to guide investment ahead of an anticipated long-term infrastructure plan set to be announced by the federal government in fall 2023, as signaled by Prime Minister Justin Trudeau in his address at the FCM Annual Conference and Trade Show on May 26, 2023.

Together, we can make this bold vision a reality.



Municipal infrastructure priorities



Core infrastructure renewal

Boost permanent, predictable renewal of core infrastructure by doubling the **Canada Community-Building Fund** (formerly the federal Gas Tax Fund) to \$4.4 billion annually. As the current 10-year federal-provincial/territorial funding agreements come to an end, now is the time to update and modernize the Fund, while retaining the key aspects that make it the most impactful infrastructure renewal tool for municipalities. Among other program improvements, FCM recommends to increase the index from 2% to 3.5%, and working together with municipalities to improve how CCBF program outcomes are measured, reported, and communicated to the public.



Water and wastewater

Ensure clean water for Canadians nationwide by creating a new dedicated water infrastructure fund and invest at least \$1 billion annually for the next 10 years over and above CCBF investment. FCM recommends the fund be designed to address diverse infrastructure needs related to potable water, stormwater, and wastewater across the country—including large-scale projects in our large urban centres, the requirements of our rural communities, and enabling all communities to meet federal regulatory requirements. Increased investment in water infrastructure is necessary to support population growth and increase housing supply.



Climate resilience

Build on the progress demonstrated through the National Adaptation Strategy's top-up to the **Disaster Mitigation and Adaptation Fund** (DMAF), and emphasizing the importance of long-term, predictable funding for climate resilient infrastructure. Municipalities are expecting to see new investments in Budget 2024, including an additional increase to the Disaster Mitigation and Adaptation Fund (DMAF) totaling \$2 billion and at least \$1 billion per year in ongoing funding for disaster mitigation infrastructure (inclusive of new funding announced in the federal NAS Action Plan). Highlights from FCM's recommendations for the now-announced National Adaptation Strategy include:

- Rapidly scale up investment in resilient public infrastructure and nature-based solutions for communities of all sizes.
- Invest in climate data and local and regional climate risk and vulnerability assessments.
- Support local capacity for planning, studies, pilots and capital projects to help municipalities mitigate extreme weather.



Public transit

Establish the **Permanent Public Transit Fund** in legislation starting in 2024–2025 for planning and design costs, with no less than \$3 billion per year in ongoing capital funding, primarily through an allocation direct to municipalities and transit agencies based on ridership (additional details below).



Community, culture and recreation

Invest at least \$500 million annually in municipal community, culture and recreational infrastructure for the next 10 years starting in 2024–2025. These facilities, including outdoor pools, community centres, and meeting spaces, across Canada are aging and in need of repair and replacement. These essential public realm amenities need to accompany new housing supply, and as municipalities create denser housing near transit, community and recreational facilities must be expanded to accommodate increased population. Creating vibrant, walkable, transit-oriented neighborhoods where people want to live, work, and play is key to post-pandemic downtown renewal and achieving our net-zero goals.



Rural, remote and northern infrastructure

- **Strengthen core rural and northern infrastructure** by committing at least \$250 million annually in new funding for 10 years starting in 2024–2025 over and above the doubling of the CCBF. Recognizing the acute need for infrastructure investment in the north, as well as higher construction costs due to labour and supply chain challenges, provide a special increase to the CCBF for local governments in the territories.
- **Support broadband for hardest-to-reach areas** by adding a \$600 million needs-based stream to the Universal Broadband Fund targeting smaller ISPs and community partners, including municipalities. Convene a national roundtable on digital infrastructure—with all orders of government—to develop a Canada 2030 vision for broadband connectivity, establish a national target for digital affordability, and launch a digital capacity-building program.
- **Strengthen rural connectivity and support economic development by investing in struggling rural airports and ports.**
 - Extend the eligibility of the Airport Capital Assistance Program for all small airports and increase funding available for the program to meet the increased demand.

- Prioritize paving and lengthening of northern landing strips which will enable larger and newer planes to land to reduce northern food costs and support economic development.
- In collaboration with the Government of Nunavut, create a deep-water port to bring down the cost of infrastructure investment and to enable regional economic development.
- **Lead on inter-community passenger transit:** FCM recommends the federal government identify a lead department to swiftly implement a comprehensive plan for inter-community transit in Canada, acting on the solutions identified by previous taskforces and reports, which includes sustainable operating funding delivered in partnership with provinces and territories.
- **Expand the Rail Safety Improvement Program:** Municipalities are critical partners in improving rail safety at the local level. In response to the federal Grade Crossing Regulations, municipalities, provinces, railways and landowners are working together to improve safety at about 20,000 prescribed road crossings, and additional federal funding is required to ensure compliance.
- **Create and apply a rural lens in collaboration with rural, remote, and northern municipalities and FCM.** Ensure all infrastructure programs are designed to enable small, rural, remote, and northern communities' access to infrastructure funding.



Permanent Public Transit Fund

The \$3 billion Permanent Public Transit Fund (PPTF) announced by the federal government in 2021 will provide the predictable capital investment municipalities need to deliver transformative transit projects and enable transit-oriented communities. All orders of government need to work together to reduce GHG emissions and meet Canada's GHG reduction target for the transportation sector—and **funding for public transit is key to achieving our climate goals.** Long-term investment in public transit will also reduce congestion, improve the flow of goods and people through our urban areas and contribute to economic development and a more affordable life for residents.

Municipalities are committed to increasing housing supply in conjunction with investments in public transit. An effective approach to integrating housing supply policy objectives into federal transit funding programs will preserve municipal autonomy with respect to transit and land-use planning, while enabling municipalities to increase housing density in proximity to transit through adequate federal investment in public transit and affordable housing.



Key design recommendations:

- The PPTF should be **permanent, legislated, direct**, responsive to near-term needs, inclusive of the needs of smaller communities, and flexible—supporting a full range of eligible costs.
- The Fund should provide at least **\$3 billion annually**, with consistent annual profiling and indexed to construction inflation costs (e.g. 3.5% per year).
- The Fund should cover a **full range of eligible capital costs**, including early planning and design, rehabilitation and renewal of existing assets, system expansion, the shift to zero-emissions transit, and active transportation.
- The Fund should include three streams:
 1. A ridership-based annual allocation (the largest of all funding streams, e.g., 90%).
 2. An application-based stream for urban systems.
 3. An application-based stream to support rural and regional sustainable transportation options.
- The federal government should **accelerate the start date for the PPTF from 2026–2027, as currently proposed, to April 1, 2024–2025**, beginning with funding for planning and design.
- **Land acquisition should be eligible** under the PPTF and federal housing programs. Purchasing land in proximity to future transit development is a key element of successful transit-oriented development, and an essential component of developing non-market housing in proximity to transit.

Summary of new federal infrastructure investments

ASSET	TIMELINE	RECOMMENDATION	MECHANISM
Core renewal (all assets)	2024-2025 start Permanent statutory transfer	\$4.4B/yr. +3.5% index	Canada Community Building Fund Allocation-based No PT cost-share
Climate resilience	10-year commitment, 2024-2025 to 2034-2035 Front-end loaded	\$2B in 2024-2025 \$1B/yr.	Disaster Mitigation & Adaptation Fund Application-based PT cost-share
Water & wastewater	10-year program, 2024-2025 to 2034-2035	\$1B/yr.	New fund Application-based PT cost-share
Public transit	2024-2025 start for planning costs Permanent statutory transfer	\$3B/yr. +3.5% index	Permanent Public Transit Fund Allocation + application
Community, culture & recreation	10-year program, 2024-2025 to 2034-2035	\$0.5B/yr.	New program or expansion of existing program Application-based PT cost-share
Rural & northern	10-year program, 2024-2025 to 2034-2035	\$0.25B/yr.	New program Application-based PT cost share
Digital connectivity	4-year top-up, 2024-2025 to 2027-2028	\$0.15B/yr.	Universal Broadband Fund Application-based No PT cost-share