CITY OF SURREY
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CORPORATE REPORT

NO:	R001	COUNCIL DATE:	January 14, 2013

REGULAR COUNCIL

TO:	**Mayor & Council**	DATE:	**January 7, 2013**
FROM:	**General Manager, Engineering**	FILE:	**0430-01**
SUBJECT:	**"The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge" FCM's Submission to the Federal Government Regarding a Long Term Infrastructure Plan**		

RECOMMENDATIONS

The Engineering Department recommends that Council:

1. Endorse the recommendations contained in the Federation of Canadian Municipalities (FCM) report titled "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge", which the FCM is forwarding to the federal government related to the creation of a new long term national infrastructure program; and

2. Authorize the Mayor on behalf of Council, to forward a letter to each of the Federal Minister of Transport, Infrastructure and Communities, the Federal Minister of Finance and the Provincial Minister of Community, Sport and Cultural Development, with copies of such letters being forwarded to the Members of Parliament representing ridings in Surrey, the Members of the Legislative Assembly representing ridings in Surrey, the Surrey Board of Trade, the Cloverdale Chamber of Commerce, the South Surrey Chamber of Commerce and the FCM, which advise of Surrey's strong support for the creation by the federal government of the new long term national infrastructure program and Surrey's strong support for the FCM recommendations as contained in the subject report related to the development and implementation of the new long term national infrastructure program.

INTENT

The purpose of this report is to provide information regarding the principal recommendations contained in FCM's report titled "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge", which is being submitted to the federal government as input into the development of a new long term National Infrastructure Plan. This report also seeks to obtain Council approval for the Mayor to forward a letter to federal and provincial government ministers advising of Surrey's endorsement of the FCM recommendations and Surrey's strong support for the creation of the new national infrastructure program.

BACKGROUND

The federal Building Canada infrastructure program will expire in March 2014. This program provided nearly $2 billion per year of federal infrastructure funding to local governments for the construction of infrastructure on a cost-shared basis. With the pending expiration of the current program, the federal government has initiated a process to develop and implement a new long term national infrastructure program (refer to Corporate Report No. R002; 2012, attached as Appendix I) to replace the current Building Canada program. Consultations, the third and final step of the process, were initiated by the federal government in June 2012. At the same time the FCM initiated a campaign titled "Target 2014; Building our Future", in which Surrey participated (refer to Corporate Report R161; 2012, attached as Appendix II), with the goal being to ensure that the new infrastructure plan reflects municipal priorities across the country and is fully in place when the existing program expires in 2014. FCM has also collected information on the state of community infrastructure across Canada and local governments' comments regarding the role that federal funding has played and must continue to play in the development of strong communities. Findings and recommendations derived from the exercise have recently been submitted to the federal government in an FCM report titled "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge," a copy of which is attached as Appendix III.

DISCUSSION

Municipal infrastructure provides the foundation on which our national economy rests. Small businesses need quality roads and bridges to deliver goods and services. Workers need fast, efficient public transit to connect them to their jobs. Growing companies count on high-quality community services, from libraries to hockey rinks, to attract skilled workers. Our public health also relies on clean water and proper wastewater services. Approximately two thirds of all public infrastructure in Canada falls to local governments to build, maintain and replace. The remaining one third falls under the responsibility of the federal and provincial governments. Municipalities are ready and willing to continue doing their part but because they collect just 8% of Canada's total tax revenue they cannot meet the challenge of building, maintaining and replacing infrastructure without assistance from other orders of government (which collect the vast majority of public revenues). The commitment by the federal government to develop a new long term infrastructure plan (LTIP) presents an opportunity to stop the decline in the country's infrastructure and secure Canada's economic foundations. The LTIP must break the traditional cycle of short term thinking and one-off funding. It needs to provide real, long term sustainable value for every tax payer dollar invested; it must:

- find new efficiencies and better ways of doing business; and
- recognize and meet emerging infrastructure challenges and needs that are related to
    - economic growth,
    - demographic changes,
    - new federal regulations, and
    - climate change.

To achieve the above-referenced outcomes, the FCM report to the federal government recommends the following in relation to the new LTIP:

1. Funding should be long-term and predictable
   - Commit funding to LTIP for 15 to 20 years with five-year planning cycles, with the exception of the permanent Gas Tax Fund (GTF).

2. Invest to leverage additional funds
   - An annual federal investment of $5.75 billion in LTIP will leverage an additional $7.5 billion on top of the $12 to $15 billion that municipalities already invest each year.

3. Renew and improve the Gas Tax Fund (GTF) and the Building Canada Fund
   - Direct 100 percent of the Building Canada Fund (BCF) to municipal infrastructure.
   - Protect the purchasing power of the GTF and BCF against inflation; index the GTF at three percent.
   - Adapt the GTF and BCF as needed to reflect specific needs.
   - Reduce the population cut-off related to the BCF Small Communities Component (to less than 100,000).
   - Harmonize the eligible project categories of the BCF and GTF to include all municipally-owned infrastructure.

4. Core Economic Infrastructure Fund
   - Invest $2.5 billion annually in a Core Economic Infrastructure Fund (CEIF), to be matched by municipal governments and by provincial and territorial governments, for a total program value of $7.5 billion a year.
   - Focus the CEIF on core economic infrastructure, such as transit, roads, bridges and other municipal transportation infrastructure, and on water, wastewater and storm-water infrastructure.
   - Direct $1 billion of this fund to the Cutting Commute Times component and $1.5 billion to the Core Infrastructure Component.
   - Allocate the Core Infrastructure Component to each province and territory using the same "base-plus-per-capita" formula used for the GTF and BCF.
   - Deliver the Core Infrastructure Component funding to every municipality using the same method as the GTF.

5. Reduce gridlock, build transit
   - Allocate the $1 billion Cutting Commute Times component of the CEIF to transit.
     (Note: In the context of Metro Vancouver, currently the funding from the Gas Tax Fund is entirely directed to TransLink. If the new Infrastructure Program directs new funding to transit (i.e., TransLink), the MV Region could reconsider how it uses the GTF funding that is available to the Region.)

6. Meeting new needs
   - Prioritize projects that meet new federal wastewater regulations through a $300 million envelope within the BCF.

7. P3s and alternative financing
   - Ensure the majority of LTIP is delivered through program models that maximize predictability and certainty.
   - Integrate support for P3s and alternative financing into all LTIP programs, but do not mandate a P3 approach.

- Provide direct funding support and technical assistance to municipalities to develop the most effective financing model for any particular project.

8. Innovative Infrastructure
   - Partner with FCM to create a Centre for Municipal Infrastructure Innovation and Sustainability (CMIIS).
   - Work with FCM and other infrastructure stakeholders to renew and expand the National Guide to Sustainable Municipal Infrastructure (lnfraGuide).
   - Create an Innovative Infrastructure Fund (IIF) to make revolving loans and grants to municipalities for innovative, sustainable infrastructure pilot projects.

The above listed recommendations are considered to be reasonable in relation to the development and implementation of the new federal LTIP.

With a view to ensuring that Surrey's position is well understood regarding the FCM recommendations related to the LTIP and Surrey's very strong support for the implementation of a new sustainable LTIP, it would be reasonable to forward a letter to each of the Federal Minister of Transport, Infrastructure and Communities, the Federal Minister of Finance and the Provincial Minister of Community, Sport and Cultural Development, with copies of such letters being forwarded to the Members of Parliament representing ridings in Surrey, the Members of the Legislative Assembly representing ridings in Surrey, the Surrey Board of Trade, the Cloverdale Chamber of Commerce, the South Surrey Chamber of Commerce and the FCM, which advise of Surrey's strong support for the creation by the federal government of the new long term national infrastructure program and Surrey's support of the FCM recommendations as contained in the subject report.

SUSTAINABILITY CONSIDERATIONS

A new long term national infrastructure plan and the City's participation in such a plan would assist in achieving the objectives of the City's Sustainability Charter; more particularly, the following action items, among others:

- EC1: Corporate Economic Sustainability; and
- EC3: Sustainable Infrastructure Maintenance and Replacement.

CONCLUSION

Based on the above discussion and to assist the FCM in their campaign to secure a new long term infrastructure program for Canadian local governments, it is recommended that Council:

- endorse the recommendations contained in the Federation of Canadian Municipalities (FCM) report titled "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge", which the FCM is forwarding to the federal government related to the creation of a new long term national infrastructure program; and

- authorize the Mayor on behalf of Council, to forward a letter to each of the Federal Minister of Transport, Infrastructure and Communities, the Federal Minister of Finance and the Provincial Minister of Community, Sport and Cultural Development, with copies of such letters being forwarded to the Members of Parliament representing ridings in Surrey, the Members of the Legislative Assembly representing ridings in Surrey, the Surrey Board of Trade, the Cloverdale Chamber of Commerce, the South Surrey Chamber of Commerce and the FCM, which advise of Surrey's strong support for the creation by the federal government of the new long term national infrastructure program and Surrey's strong support for the FCM recommendations as contained in the subject report related to the development and implementation of the new long term national infrastructure program.

Vincent Lalonde, P.Eng.
General Manager, Engineering

VL/KZ/brb

Appendix I: Corporate Report No. R002; 2012
Appendix II: Corporate Report No. R161; 2012
Appendix III: FCM Report titled "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge"

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CORPORATE REPORT

NO:	**R002**	COUNCIL DATE:	**January 9, 2012**

REGULAR COUNCIL

TO:	**Mayor & Council**	DATE:	**January 4, 2012**
FROM:	**General Manager, Engineering**	FILE:	**0430-01**
SUBJECT:	**Government of Canada - Long-term Infrastructure Plan**		

RECOMMENDATION

The Engineering Department recommends that Council:

1. Receive this report as information, and

2. Authorize staff to engage in processes that the federal government establishes to obtain local government input into the development of a new Long Term Infrastructure Plan (the "Plan") for Canada and to provide further reports to Council complete with recommendations as appropriate to ensure that local government interests and opportunities are fully addressed in the new Plan.

INTENT

The intent of this report is to advise Council of the Government of Canada's proposed process for developing a long-term infrastructure plan and to obtain Council's support for participation in this process.

BACKGROUND

Canada's public infrastructure investments in the 1800's focused on canals and railways, uniting sparse populations and forming a basis for Confederation. In the first half of the twentieth century, public works throughout Canada responded to the new industrial reality and booming cities by means of electrification, reliable water, waste management, public transit, and other transportation investments. In the post World War II boom, the automobile became the symbol of prosperity, individuality and modernity and infrastructure investment mirrored this in the creation of the world's longest national highway. Enthusiasm for public infrastructure as nation building also extended to cultural facilities with libraries, arenas and art galleries constructed across the country. Following a decline in public infrastructure spending in the 1970's and 1980's, renewed interest in public works investments has emerged. In 2006 the Building Canada Plan committed $33 billion to infrastructure with a further $2 billion annual increase in 2009 under the Gas Tax Fund. In 2009, in response to the global economic downturn, additional billions of dollars in short-term funding were added under the Economic Action Plan, including the Infrastructure Stimulus Fund, the Building Canada Fund-Communities Top-Up, and the Green Infrastructure Fund.

Moving forward, the federal government is proposing to engage in a dialogue with provincial, territorial, and municipal governments to develop a new long-term public infrastructure plan, as outlined in the Backgrounder document attached as Appendix I. This process will be undertaken in three phases as follows:

Phase I: Taking Stock (Fall 2011 – Winter 2012) – This phase will take stock of past infrastructure investments to identify the many factors that have contributed to the success of thousands of projects throughout the country with a focus on the successes accomplished through strong partnerships.

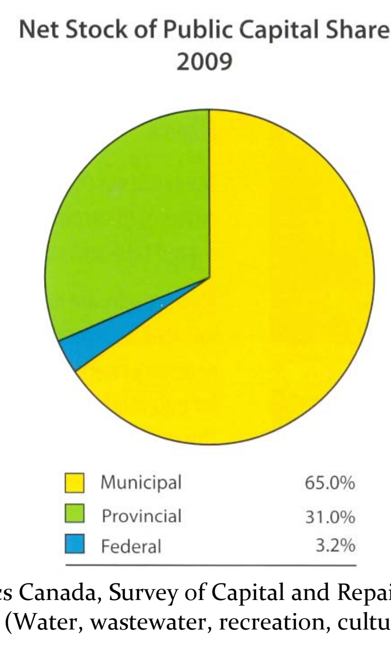
Phase II: Identifying Priorities (Winter – Summer 2012) – This phase will build on the first round of analysis to build the technical and policy knowledge that will serve as the basis for the development of a long-term infrastructure plan and inform the broader discussions that will be the focus of the third phase of the process. During Phase II the federal government will work with other levels of government, stakeholders, experts, and leading practitioners to undertake research and analysis around the themes of the economy, the environment, stronger communities, infrastructure financing, and asset planning and sustainability.

Phase III: Informing the Next Agenda (Summer – Fall 2012) – This phase will focus on a constructive dialogue among all orders of government and other key stakeholders, building on the work of the first two phases, to explore the broad principles and future directions for public infrastructure in Canada and to identify key lessons from past plans and programs that can aid in the development of the next long-term public infrastructure plan.

DISCUSSION

In Canada, municipalities play the leading role in managing, building, operating, maintaining, rehabilitating and replacing public infrastructure. Municipalities own 65% of Canada's core public infrastructure (CPI) followed by Provinces who own 31% and the Federal Government at only 3.2% (see Figure 1 below). Considering that municipal government's share of the total public revenues is only 8%, there is a clear need for federal and provincial participation in infrastructure capital programs.

Figure 1



Source: Statistics Canada, Survey of Capital and Repair Expenditures.
Core Public Infrastructure (Water, wastewater, recreation, culture, transit, roads, bridges)

Recent investments by all orders of government through infrastructure programs have contributed to the renewal of Canada's Critical Public Infrastructure (CPI) (defined as bridges, roads, water, wastewater, transit, and cultural and recreational facilities). After remaining fairly stable throughout the 1980's and 1990's, investments in CPI increased rapidly over the last decade. The average age (used as an indication of the state of infrastructure) of Canada's CPI, peaked in 2001 at 17 years and then during the period 2001 – 2010 fell to 14.7 years. However, the Association of Consulting Engineers of Canada estimates that 50 percent of Canada's public infrastructure will have reached the end of its serviceable life by 2027. To maintain competitiveness and our standard of living and to safeguard a fragile economic recovery while supporting continued growth, prudent investment in public infrastructure remains very important. A predictable, stable, long-term funding plan will be necessary to plan for and meet continued infrastructure needs, building on the Partnership approach between Municipal, Provincial, and Federal governments that has proved very effective in the past decade.

CONCLUSION

Surrey, as one of Canada's most rapidly growing municipalities, is experiencing pressure for the on-going expansion of core public infrastructure and can only benefit from a federal long-term infrastructure investment plan and strengthened partnerships between all orders of government. Based on the above discussion, it is recommended that Council authorize staff to engage in the processes that the federal government establishes to obtain local government input into the development of the new Long Term Infrastructure Plan (the "Plan") for Canada and to provide further reports to Council complete with recommendations as appropriate to ensure that local government interests and opportunities are fully addressed in the new Plan.

Vincent Lalonde, P.Eng.
General Manager, Engineering

VL/KDZ/brb

Appendix I - Backgrounder

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Canada

Backgrounder

November 30, 2011

The Engagement Process for Developing a Long-Term Infrastructure Plan

The Government of Canada is engaging its key partners – provinces, territories, the Federation of Canadian Municipalities and other stakeholders to develop a long-term infrastructure plan. Building on past achievements while strengthening partnerships between all orders of government, the process will roll out in three phases:

Phase 1: Taking Stock (Fall 2011-Winter 2012)

Taking Stock is about working with our partners to review the accomplishments and results of past infrastructure investments. The Government of Canada will work together with provincial, territorial and municipal partners to review past infrastructure investments and initiatives and examine their benefits for communities.

Phase II – Identifying Priorities (Winter-Summer 2012)

To help ensure all levels of government have the right information to make informed decisions on infrastructure investments, we will work with our partners and stakeholders, as well as with technical experts and academics, to build knowledge around five broad themes:

1) Infrastructure and the Economy
2) Infrastructure and the Environment
3) Infrastructure and Stronger Communities
4) Financing Infrastructure
5) Asset Planning and Sustainability

Phase III – Informing the Next Agenda (Summer-Fall 2012)

Building on the work of the first two phases, we will have in-depth and constructive discussions with our provincial, territorial and municipal partners and other key stakeholders. Together, we will explore the broad principles and future directions for public infrastructure in Canada, and discuss key lessons learned from past plans and programs that can help develop the next long-term public infrastructure plan.

As this engagement process unfolds, www.infrastructure.gc.ca will feature regular updates, along with research publications as they are developed.

Canadä

GOVERNMENT OF CANADA INVITES PARTNERS TO JOIN IN DEVELOPING A LONG-TERM INFRASTRUCTURE PLAN

November 30, 2011

OTTAWA, ONTARIO – The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, and Minister of the Economic Development Agency of Canada for the Region of Quebec, today launched the formal engagement process that will bring together the Government of Canada, provinces, territories, the Federation of Canadian Municipalities and others to develop a new long-term plan for public infrastructure beyond the expiry of the Building Canada Plan in 2014.

"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," said Minister Lebel. "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."

The engagement process will take place in three phases over the next year. First, the Government of Canada will work together with its partners to take stock of recent accomplishments and their impacts, and examine the results of the significant investments that have been made by all orders of government. The second phase will be working with our partners and leading experts to collaborate on research and analysis that will inform and guide the long-term infrastructure plan.

This important work will lay the foundation for the third phase that will include a series of in-depth discussions with partners to confirm the principles and priorities of the plan. The result: an effective, sustainable, long-term infrastructure plan for Canadians.

As the Government of Canada develops this new plan, it will continue to deliver significant infrastructure investments through the $33-billion Building Canada Plan. It has also tabled legislation to make the $2 billion Gas Tax Fund permanent, providing stable and predictable funding for municipalities to help support their local infrastructure priorities.

Through strong partnerships with provinces, territories, municipalities and other stakeholders, the Government of Canada is leading the way in investing in public infrastructure.

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Contacts:

Pierre Floréa
Press Secretary
Office of the Minister of Transport, Infrastructure and Communities
613-991-0700

Infrastructure Canada
613-960-9251 or toll-free 1-877-250-7154

Disponible en français

APPENDIX II

CORPORATE REPORT

NO: **R161** COUNCIL DATE: **July 9, 2012**

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 5, 2012**

FROM: **General Manager, Engineering**
General Manager, Planning & Development
General Manager, Parks, Recreation & Culture

FILE: **0430-01**

SUBJECT: **Support for "Target 2014: Building Our Future" - FCM's Campaign for a New Long Term Infrastructure Plan**

RECOMMENDATION

The Engineering Department, the Planning & Development Department, and the Parks, Recreation & Culture Department recommend that Council:

1. Adopt the resolution that is attached as Appendix I (including Appendix "A") to this report, thereby indicating the City of Surrey's strong support for the creation of a new long-term national infrastructure program and endorsement of the Federation of Canadian Municipalities (FCM) campaign titled "Target 2014: Building our Future"; and

2. Authorize the Mayor on behalf of City Council to forward to each of the Federal Minister of Transport, Infrastructure and Communities, the Provincial Minister of Transportation and Infrastructure, the Provincial Minister of Community, Sport and Cultural Development, the Surrey Members of Parliament, the Surrey Members of the Legislative Assembly, the FCM and the Union of BC Municipalities (UBCM) a copy of this report and the related Council resolution.

INTENT

The purpose of this report is to provide information about the status of the federal government's actions in relation to developing a new national infrastructure program and about a campaign titled "Target 2014: Building our Future" by which FCM is mobilizing municipal and community participation in the consultations being held by the Federal Government regarding the creation of the new program. This report also seeks to obtain Council approval of a resolution that will be forwarded to the federal Minister of Transport, Infrastructure and Communities, the provincial Minister of Community, Sport and Cultural Development, the Surrey MPs, the Surrey MLAs, the FCM and the UBCM to indicate Surrey's strong support of the FCM campaign and the creation of the new national infrastructure program.

BACKGROUND

In March 2014 the federal Building Canada infrastructure plan will expire. This plan has provided nearly $2 billion per year of federal infrastructure funding to local governments for the construction of infrastructure on a cost-shared basis. The federal government has commenced dialogue with provincial, territorial, and municipal governments across the country in relation to the development of a new long-term national infrastructure program (refer to Corporate Report No. R002; 2012, attached as Appendix II) to replace the current Building Canada plan when it expires. The consultations commenced at the FCM 2012 annual conference in June 2012 in Saskatoon as did an FCM campaign titled "Target 2014; Building Our Future", that is focused on demonstrating the need for and the broad national support for such a new long-term, predictable and stable federal infrastructure funding plan beyond 2014. The goal of the campaign is to ensure that the new plan reflects municipal priorities across the country and is fully in place when the existing program expires in 2014. The FCM campaign is designed to encourage each local government:

- to provide information on the state of their community infrastructure and the important role that federal funding has played and must continue to play in the development of strong communities; and
- to mobilize municipal and community leaders to participate in the federal consultations to demonstrate the importance of continued investment in the real needs of cities and communities.

DISCUSSION

As was noted in Corporate Report No. R002; 2012, (copy attached as Appendix II) the federal government process related to implementing a new infrastructure program involves three phases. The Federal Government has commenced the third phase of the process, which is focused on dialogue among all levels of government and other key stakeholders to explore the broad principles and future directions for public infrastructure in Canada and to identify key lessons from past plans and programs that can aid in the development of the next long-term plan.

The FCM has deemed it crucial at this stage that municipal governments participate in the process through a common FCM-led campaign to assist in ensuring that municipal priorities are reflected in the new long-term infrastructure plan. The campaign is intended to encourage local residents, businesses and other organizations to become involved, along with local governments, to show unified support regarding the need for continued federal investment in communities. As the first step in demonstrating such support, the FCM has requested that each municipal Council in Canada pass a resolution in the form attached as Appendix I to this report that indicates Council support for the development of a new federal infrastructure program. The FCM has requested that the resolution be sent to the FCM and the federal Minister of Transport, Infrastructure and Communities and that a copy of the resolution be forwarded to each of the provincial Minister of Municipal Affairs, local MLAs and local MPs.

Previous Federal partnership funding programs such as the Building Canada Plan, the Economic Action Plan, the Infrastructure Stimulus Fund, the Building Canada Fund–Communities Top-Up and the Green Infrastructure Fund have been very instrumental in the development of infrastructure in the City of Surrey. Funding contributions from other orders of government in the amount of $45.6 million have been received toward Surrey capital projects over the last 5 years.

The prospect of a new national long-term, stable and predictable infrastructure plan is a welcome prospect; both for the renewal of existing, aging infrastructure and for capital investment in support of growth and economic development.

Canada's municipalities play the leading role in building, operating, managing, maintaining, rehabilitating and replacing public infrastructure in Canada. In fact, approximately two-thirds of all public infrastructure in Canada falls under the jurisdiction of local governments. The City of Surrey, as one of Canada's most rapidly growing municipalities and with the pressures for provision of core public infrastructure associated with that growth, has appreciated the benefits that the current and previous federal infrastructure programs have provided. The implementation of a new long-term infrastructure investment plan and strengthened partnerships between all orders of government should be strongly supported.

Surrey's Needs:

The following table documents the infrastructure renewal and capital improvement investments that the City of Surrey will need to make over the next ten-year period to support the on-going vibrancy of our City. These investment requirements are categorized by infrastructure type. The amounts documented in the following table are further defined in the tables that are attached to this report as Appendix "A".

Investment Type	Required Infrastructure Renewal Investment	Investment Required to Support Expected Growth	Total Required Investment over the next 10 years
Transportation	$215 million	$425 million	$640 million
Water	$105 million	$60 million	$165 million
Sanitary Sewer	$60 million	$80 million	$140 million
Drainage	$110 million	$90 million	$200 million
Civic Buildings and Facilities	$100 million	$400 million	$500 million
Total Required Investment over the next 10 years	**$590 million**	**$1,055 million**	**$1.645 billion**

In working with TransLink, the Regional Transportation Authority, a substantive need for additional transit has been identified in Surrey to meet Provincial emission targets, achieve sustainable development goals and create a livable city.

The two key elements to achieve this are an expansion of transit (bus) service as defined through the South of Fraser Area Transit Plan and an LRT system operating on the key City routes (Fraser Highway, King George Boulevard and 104 Avenue). The amounts needed are identified in the following table:

Investment Type	Required Infrastructure Renewal Investment	Investment Required to Support Expected Growth	Total Required Investment over the next 10 years
LRT System		$2 billion	$2 billion
Transit Infrastructure Improvements	$10 million		$10 million
Transit		$280 million	$280 million
Total Required Investment over the next 10 years	**$10 million**	**$2.28 billion**	**<u>$2.29 billion</u>**

The City has also identified another $150 million in required infrastructure investments that will need to be made to contribute directly to economic development and job creation on the City's business land base. These investments are not included in the above tables.

Suggestions Regarding a New National Infrastructure Program:

Based on Surrey's experience with the previous programs, the new infrastructure program should take the following factors into account:

- **Multi-year projects**: The new program should allow for multi-year project implementation. Given the time required for design, property acquisition, environmental review and approvals, restricted working windows such as the restrictions required by the Department of Fisheries and Oceans, etc., project schedules for larger projects can typically stretch well beyond one year. Previous federal infrastructure programs have been quite restrictive in relation to project timelines as dictated by funding deadlines.

- **Flexibility**: The new program should allow maximum flexibility for an individual municipality to allocate available funding across projects and fiscal years. When circumstances arise that create unexpected delays, the ability to transfer funding to another approved project would support effective project delivery and better outcomes.

- **Pavement Rehabilitation**: The new program should include pavement rehabilitation as an eligible capital infrastructure renewal project. Typically roadway pavements are the single largest municipal capital asset and the relative condition of that asset dictates the attractiveness of the community in relation to commerce and economic development and therefore the overall economic well-being of the community.

- **Equity**: Although equity of program funding between communities across Canada is an important consideration, the funding criteria for the new program should recognize those communities that are experiencing high growth rates, which bring increased infrastructure construction pressures in relation to responding effectively to such growth.

The federal government is to be applauded for recognizing the importance of Canadian cities to the welfare of Canada and the need for a strong funding partnership between orders of government to ensure that infrastructure investments are made in communities across Canada in a timely manner to ensure strong and vibrant communities in support of a strong nation.

As one of Canada's fastest growing municipalities with the associated demands for municipal infrastructure, a long-term predictable and stable program for further partnership funding is vitally important. Showing support, by means of a Council Resolution, for a new infrastructure plan is a first step in achieving such a plan. A resolution for Council's consideration is attached to this report as Appendix I.

SUSTAINABILITY CONSIDERATIONS

A new long-term national infrastructure plan and the City's participation in such a plan would assist in achieving the objectives of the City's Sustainability Charter; more particularly, the following action items, among others:

- EC1; Corporate Economic Sustainability; and
- EC3: Sustainable Infrastructure Maintenance and Replacement.

CONCLUSION

Based on the above discussion and to assist the FCM in their campaign to secure a new long-term infrastructure program for Canadian local governments, it is recommended that Council:

- Adopt the resolution that is attached as Appendix I (including Appendix "A") to this report, thereby indicating its strong support for the creation of a new long-term national infrastructure program and endorsement of the Federation of Canadian Municipalities (FCM) campaign titled "Target 2014: Building our Future"; and

- Authorize the Mayor on behalf of City Council to forward to each of the Federal Minister of Transport, Infrastructure and Communities, the Provincial Minister of Transportation and Infrastructure, the Provincial Minister of Community, Sport and Cultural Development, the Surrey Members of Parliament, the Surrey Members of the Legislative Assembly, the FCM and the UBCM a copy of this report and the related Council resolution.

Laurie Cavan General Manager, Parks, Recreation & Culture	Jean Lamontagne, General Manager, Planning & Development	Vincent Lalonde, P. Eng. General Manager, Engineering

JB/KZ/brb

Appendix I: Council Resolution (including Appendix "A")
Appendix II: Corporate Report No. R002; 2012 (this Corporate Report not attached - already included as Appendix I to January 14, 2013 Corporate Report)

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APPENDIX I

COUNCIL RESOLUTION

Development of a New Long-Term Federal Plan for Municipal Infrastructure Funding

WHEREAS The Building Canada Plan and a number of important federal-provincial transfer agreements vital to Canada's cities and communities will expire in March 2014;

WHEREAS Federal investments over the last few years have helped to slow the decline of our cities and communities, and the Government of Canada has committed to develop a new long-term plan for municipal infrastructure funding in consultation with municipal and provincial/territorial governments;

WHEREAS a seamless transition from the Building Canada Plan to a new long term plan is necessary to ensure that municipalities can continue planning their capital spending effectively;

WHEREAS The Federation of Canadian Municipalities (FCM) has launched a campaign to ensure the new plan reflects municipal priorities across the country and asks its member municipalities to pass a Council resolution supporting the campaign;

AND WHEREAS the City of Surrey has continuing infrastructure needs, such as those that are listed in Appendix "A" that can only be met with the kind of long-term planning and investment made possible by a national plan;

THEREFORE BE IT RESOLVED that Council endorses the FCM campaign and urges the federal Minister of Transport, Infrastructure and Communities to work with FCM to ensure the new long-term infrastructure plan meets the core infrastructure needs of cities and communities; and

BE IT FURTHER RESOLVED that Council urges the Minister of Transport, Infrastructure and Communities to ensure that the new long-term plan is fully in place when existing programs expire in 2014; and

BE IT FURTHER RESOLVED that a copy of this resolution be sent to the federal Minister of Transport, Infrastructure and Communities, to the provincial Minister of Community, Sport and Cultural Development, to the Surrey Members of Parliament, to the Surrey Members of the Legislative Assembly, to the Federation of Canadian Municipalities and to the Union of BC Municipalities.

APPENDIX "A"

TRANSPORTATION – ARTERIAL ROAD REQUIREMENTS

PROGRAM	INFRASTRUCTURE TO SUPPORT GROWTH ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
1000 – Arterial New Construction	57,800,000		57,800,000
1002 – Arterial Ultimate Widening	174,375,000		174,375,000
1004 – Arterial Interim Widening	36,875,000		36,875,000
1006 – Arterial Property Acquisition	10,000,000		10,000,000
1008 – Arterial DCW	3,500,000		3,500,000
1012 –Arterial Intersection Improvements	17,250,000		21,250,000
1016 – Arterial Paving		70,000,000	70,000,000
1018 – Arterial Bridges	5,250,000	1,250,000	10,000,000
1020 – Provincial Hwy Cost-Sharing	21,300,000		21,300,000
1102 – Traffic Signals & Major Signs	8,760,000	2,850,000	20,610,000
1112 – Pavement Repair		13,000,000	13,000,000
1120 – Bicycle On-Street Network	1,667,000	3,333,000	5,000,000
1122 – Bicycle Off-Street Network	5,000,000	10,000,000	15,000,000
1142 – Transit Projects	3,000,000	1,500,000	4,500,000
1150 – Arterial Sidewalks	8,000,000		8,000,000
1160 – Pedestrian Signals	3,750,000		3,750,000
TOTAL	**356,527,000**	**101,933,000**	**474,960,000**

APPENDIX "A"

TRANSPORTATION – COLLECTOR AND LOCAL ROAD REQUIREMENT

PROGRAM	INFRASTRUCTURE TO SUPPORT GROWTH ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
1022 – City Centre Upgrading	4,000,000	3,000,000	7,000,000
1030 – Non-Arterial New Construction	9,494,250		9,494,250
1032 – Non-Arterial Ultimate Widening	5,765,750		5,765,750
1034 – Non-Arterial Upsizing	5,000,000		5,000,000
1036 – Non-Arterial Property Acquisition	11,500,000	9,200,000	20,700,000
1038 – Non-Arterial DCW	4,500,000	300,000	4,800,000
1042 – Non-Arterial Intersection Improvements	7,500,000		7,500,000
1046 – Non-Arterial Paving		20,000,000	20,000,000
1070 – Local (Road) Paving		60,000,000	60,000,000
1076 – Local (Road) Strategic Links	1,650,000		1,650,000
1102 – Traffic Signals & Major Signs	640,000	150,000	790,000
1104 – Street Lights Replacement		4,000,000	4,000,000
1108 – Traffic Calming Measures	1,500,000	500,000	2,000,000
1112 – Pavement Repair		4,000,000	4,000,000
1120 – Bicycles On-Street Network	1,000,000	2,000,000	3,000,000
1142 – Transit Related Projects	1,500,000	1,500,000	3,000,000
1146 – Park and School Frontages	5,000,000		5,000,000
1152 – Collector Sidewalks	8,500,000		8,500,000
1154 – Local (Road) Sidewalks		10,000,000	10,000,000
1160 – Pedestrian Signals	1,250,000		1,250,000
TOTAL	**68,800,000**	**114,650,000**	**183,450,000**

APPENDIX "A"

DRAINAGE – PROGRAM REQUIREMENTS

PROGRAM	INFRASTRUCTURE TO SUPPORT GROWTH ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
1660 – General Items		17,300,000	17,300,000
1662 and 1663 – Existing System Upgrades	700,000	50,600,000	51,300,000
1664, 1665, and 1666 – Lowlands Flood Control	5,000,000	23,750,000	28,750,000
1670 – Relief and Trunk System	33,000,000	2,660,000	35,660,000
1672 – Community Detention	25,500,000	2,150,000	27,650,000
1673 – Habitat Compensation	200,000	800,000	1,000,000
1675 – Grandview Heights – Area 2	6,700,000		6,700,000
1678 and 1679 – Erosion and Ravine Stabilization & Operation	2,675,000	6,100,000	8,775,000
1680 – DCW Upsizing	18,250,000		18,250,000
1682 – Environment		4,600,000	4,600,000
1690 – Operations & Maintenance		2,700,000	2,700,000
TOTAL	**92,025,000**	**110,660,000**	**202,685,000**

WATER – PROGRAM REQUIREMENTS

PROGRAM	INFRASTRUCTURE TO SUPPORT GROWTH ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
1600 – General		5,700,000	5,700,000
1602 – Distribution Mains (<= 300mm)	20,000,000	45,000,000	65,000,000
1604 – Cross Connection Control		750,000	750,000
1606 – Minor Projects		3,000,000	3,000,000
1609 – Demand Management		28,000,000	28,000,000
1610 – Supply Works & Feeder Mains	19,200,000	12,000,000	31,200,000
1620 – DCW Upsizing	21,000,000	10,500,000	31,500,000
TOTAL	**60,200,000**	**104,950,000**	**165,150,000**

APPENDIX "A"

SEWER – PROGRAM REQUIREMENTS

PROGRAM	INFRASTRUCTURE TO SUPPORT GROWTH ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
1630 - General		4,200,000	4,200,000
1632 - Minor Mains (< 450mm diameter)	12,500,000	13,850,000	26,350,000
1634 - Inflow & Infiltration		15,000,000	15,000,000
1644 - Major Facilities	55,850,000	28,300,000	84,150,000
1650 - DCW Upsizing	10,143,000		10,143,000
TOTAL	**78,493,000**	**61,350,000**	**139,843,000**

INFRASTRUCTURE – PROGRAM REQUIREMENTS TO SUPPORT ECONOMIC DEVELOPMENT / JOB CREATION

PROGRAM	INFRASTRUCTURE TO SUPPORT ECONOMIC DEVELOPMENT / JOB CREATION ($)	INFRASTRUCTURE RENEWAL ($)	TOTAL ($)
TRANSPORTATION	94,275,200		94,275,200
DRAINAGE	12,700,000		12,700,000
WATER	10,270,000		10,270,000
SEWER	14,863,000		14,863,000
TOTAL	**132,108,200**		**132,108,200**

CIVIC BUILDINGS AND FACILITIES – PROGRAM REQUIREMENTS

PROJECT	DESCRIPTION	ESTIMATED COST
South Surrey Recreation Centre Expansion	**South Surrey Fitness Facility** – A new fitness facility will be added to the South Surrey Recreation Centre to provide service to the growing South Surrey Community.	**$6,000,000**
	Community Arts Space – An addition to the South Surrey Recreation Centre will provide arts programming and arts and heritage display space.	**$1,500,000**
	Total South Surrey Recreation Centre Expansion	**$7,500,000**

PROJECT	DESCRIPTION	ESTIMATED COST
Newton Athletic Park	The City will construct on an annual basis additional recreational amenities in Newton Athletic Park including volley ball courts, children's play area, spray park, cricket pitch, additional parking facilities, etc. **Total Project $9,165,000 2010 to 2016; phased development proposed.**	**$2,500,000**
Fleetwood Recreation Centre Gymnasiums	A pair of gymnasiums will be added to the Fleetwood Recreation Centre to allow for a broader range of recreation programming to be offered in Fleetwood.	**$16,500,000**
Performing Arts Centre	Design plans for the Performing Arts Centre with 1,200 seat flexible theatre and a 300 seat studio theatre.	**$6,000,000**
Performing Arts Centre	Construction of a 1,200 seat theatre with a 300 seat black box theatre, multipurpose rooms, commercial space and multi functional lobby	**$150,000,000**
Newton Fitness Facility	A significantly expanded fitness facility will be constructed at the Newton Recreation Centre/Wave Pool to better meet the demands of the continuing growth in Newton.	**$15,000,000**
Cloverdale Covered Youth Park	A new covered outdoor youth park will be constructed in Cloverdale similar in scope to the recently constructed youth park at Chuck Bailey.	**$1,500,000**
Grandview Heights Aquatic Centre	This will be the second swimming pool in the South Surrey area (will include 10 lanes – 52 metre plus diving, leisure pool & fitness space) to provide service to this rapidly growing community and will relieve some of the high demand currently being experienced at the existing South Surrey Pool.	**$52,500,000**
Guildford Aquatic Centre	This pool (8 lane – 52 metre with leisure pool) will be added to the Guildford Recreation Centre complex and will serve the North Surrey area, particularly the communities of Guildford and Fraser Heights. It will complement the service being provided by the pool at the North Surrey Recreation Centre and the pool at the Surrey Sport and Leisure Complex.	**$40,700,000**
West Newton Cricket Park	This new community park will feature a cricket and soccer field, pathway system, washrooms, parking lot and children's play area.	**$3,400,000**

PROJECT	DESCRIPTION	ESTIMATED COST
North Surrey RCMP Detachment	New 80,000 square feet municipal policing facility.	**$36,000,000**
Main Central Works yard	New Main works yard that will include Engineering Operations, Civic Facilities and Parks Operations	**$39,000,000**
New South Works yard	New South Works yard that will include Engineering and Parks Operations and satellite administration services to residents.	**$5,000,000**
New South Surrey Arts Centre	Space to be built within a commercial project, 25,000 square feet including a theatre, black box theatre and gallery space – Tenant Improvements	**$15,000,000**
North Surrey Arena Replacement	Two new arenas to replace the North Surrey Arenas that have reached the life of the building.	**$30,000,000**
New Ice Rink co-located with the Grandview Aquatic Centre	This new ice sheet which is part of the Build Surrey program would serve Cloverdale and South Surrey.	**$12,000,000**

APPENDIX III

FCM FEDERATION OF CANADIAN MUNICIPALITIES FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

THE ROAD TO JOBS AND GROWTH: SOLVING CANADA'S MUNICIPAL INFRASTRUCTURE CHALLENGE

NOVEMBER 2012

Submission to the Government of Canada's Long-Term Infrastructure Plan Consultation

by
The Federation of
Canadian Municipalities

www.fcm.ca

FCM FEDERATION OF CANADIAN MUNICIPALITIES FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

THE ROAD TO JOBS AND GROWTH: Solving Canada's Municipal Infrastructure Challenge

Federation of Canadian Municipalities
24 Clarence Street
Ottawa, Ontario K1N 5P3
www.fcm.ca

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EXECUTIVE SUMMARY

Municipal infrastructure provides the foundations on which our economy rests. Small businesses need quality roads and bridges to deliver goods and services. Workers need fast, efficient public transit to connect them to jobs. And growing companies count on high-quality community services, from libraries to hockey rinks, to attract skilled workers. Yet today, those foundations are buckling under the strain.

Municipal leaders are ready and willing to continue doing their part. But because they collect just eight percent of Canada's total tax revenue and depend largely on a regressive property tax system, they cannot meet the infrastructure challenge on their own.

The commitment made by the federal government in 2011 to develop a new long-term infrastructure plan (LTIP) presents an opportunity to stop the decline in our infrastructure and secure our economic foundations.

However, the LTIP must break the old cycle of short-term thinking and one-off funding that caused Canada's municipal infrastructure deficit to balloon over the past two decades, despite increased investments from all orders of government.

The LTIP needs to provide real, long-term value for every taxpayer dollar invested. That means fixing what was wrong with earlier programs, notably by providing predictable, secure investments that allow communities to budget responsibly and effectively for their future.

The LTIP must find new efficiencies and better ways of doing business. It needs to tap private-sector innovation and expertise by encouraging public-private partnerships (P3s) that make sense. It must keep bureaucracy, red-tape, and costly project delays to a minimum, while guaranteeing accountability.

Finally, the LTIP must also recognize and meet emerging infrastructure challenges and needs that are related to economic growth, demographic changes, new federal regulations and the need to adapt our infrastructure to climate change and increasingly severe weather.

SUMMARY OF RECOMMENDATIONS

1. **Funding should be long-term and predictable**

   Commit funding to LTIP for 15 to 20 years with five-year planning cycles, with the exception of the permanent Gas Tax Fund (GTF).

2. **Invest to leverage additional funds**

   An annual federal investment of $5.75 billion in LTIP will leverage an additional $7.5 billion in new provincial, territorial and municipal investments. These investments are on top of the $12 to $15 billion that municipalities already invest each year in local infrastructure and billions more contributed by provincial and territorial governments.

3. **Renew and improve the Gas Tax Fund and the Building Canada Fund**

   a. Direct 100 percent of the Building Canada Fund (BCF) to municipal infrastructure.
   b. Protect the current purchasing power of the GTF and BCF against inflation and population and economic growth; index the GTF at three percent, the same rate as health-care transfers.
   c. Adapt the GTF and BCF as needed to reflect the specific needs and circumstances of each province and territory, in particular Canada's North.
   d. Reduce the population cut-off of the BCF Small Communities Component to below 100,000; streamline the program to ensure small, rural and remote communities can access the funds efficiently and fairly, in particular for roads and bridges.
   e. To improve flexibility and streamline program design, harmonize the eligible project categories of BCF and GTF to include all municipally owned infrastructure.

4. **Core Economic Infrastructure Fund**

   a. Invest $2.5 billion annually in a Core Economic Infrastructure Fund (CEIF), to be matched by municipal governments and by provincial and territorial governments, for a total program value of $7.5 billion a year.
   b. Focus CEIF on core economic infrastructure, such as transit, roads, bridges and other municipal transportation infrastructure, and on water, wastewater and storm-water infrastructure.
   c. Direct $1 billion of this fund to the Cutting Commute Times component, and $1.5 billion to the Core Infrastructure Component.
   d. Allocate the Core Infrastructure Component to each province and territory using the same "base-plus-per-capita" formula used for GTF and BCF, with federal funds matched by provinces, territories and municipalities; adapt the Core Infrastructure Component to reflect the specific needs and circumstances of each province and territory, in particular Canada's North.
   e. Deliver Core Infrastructure Component funding to every municipality using the same method as GTF. For purposes of reporting and visibility, require funding recipients to present their annual capital plan, from which the federal government can decide where to direct CEIF funding.

5. **Reduce gridlock, build transit**

   To reduce congestion and improve local mobility, allocate the $1 billion Cutting Commute Times component of the CEIF to transit, based on current and projected transit ridership and other measurements of mobility; ensure the program design recognizes the diversity of transit governance, particularly regional arrangements, in major centres; ensure the program design recognizes the diversity of transit governance, particularly regional arrangements, in major centres.

6. **Meeting new needs**

   Prioritize projects that meet new federal wastewater regulations through a $300 million envelope within BCF, with its own application and review process; provide support for the development of local wastewater-treatment plants.

7. **P3s and alternative financing**

   a. Ensure the majority of LTIP is delivered through program models that maximize predictability and certainty. This increases municipal financing options, especially for P3s.
   b. Create a "P3 screen" that requires all municipal projects with a value of $200 million or more that are receiving federal funding to develop a thorough business case that includes analysis on the viability of P3s.
   c. Integrate support for P3s and alternative financing into all LTIP programs, rather than developing a segregated program dedicated solely to P3s; ensure that all programs support and encourage consideration of P3 options but do not mandate a P3 approach.
   d. Provide direct funding support and technical assistance to municipalities to develop rigorous business cases to analyse the most effective financing model for a particular project, including but not limited to P3s.

8. **Innovative Infrastructure**

   a. To support the effective investment of LTIP funding, partner with FCM to create the Centre for Municipal Infrastructure Innovation and Sustainability (CMIIS) to help build the capacity of municipalities to improve asset management and innovative infrastructure practices.
   b. To provide the technical foundation for the CMIIS, work with FCM and other infrastructure stakeholders to renew and expand the National Guide to Sustainable Municipal Infrastructure (InfraGuide), which operated between 2001 and 2007 as a partnership between FCM, the National Research Council and Infrastructure Canada.
   c. Create the Innovative Infrastructure Fund (IIF) by expanding the FCM Green Municipal Fund endowment to make revolving loans and grants to municipalities for innovative, sustainable infrastructure pilot projects, including asset-management initiatives, and to leverage the best practices of these innovative pilots for use by all communities.

I. WHY INFRASTRUCTURE MATTERS

Municipal infrastructure is the foundation of our economy. Our small businesses need quality roads and bridges to deliver goods and services. Workers need fast, efficient public transit to connect them to jobs. And growing companies count on high-quality community services, from libraries to hockey rinks, to attract skilled workers.

After decades of neglect and underinvestment, Canada is beginning to confront its municipal-infrastructure deficit, a backlog of repairs and needed construction that hurts every business and family. The commitment made by the federal government in 2011 to develop a new long-term infrastructure plan (LTIP) presents an opportunity to stop the decline in our infrastructure and secure our economic foundations.

ROOTS OF CANADA'S INFRASTRUCTURE DEFICIT

Following the infrastructure building boom of the 1950s and 1960s, when much of today's infrastructure was built, municipal governments were forced to take on the responsibility of building, repairing, and maintaining most of Canada's core infrastructure without a reasonable, reliable source of funding.

Today, municipal governments are responsible for more than 60 percent of Canada's infrastructure, up from 34 percent in the 1960s. They must rely on an out-of-date property-tax system to meet their growing responsibilities, including many downloaded by other governments. This regressive tax hits middle and low-income Canadians hardest, including working families, senior citizens, and small-business owners. During the last few years, the federal government has worked with municipal, provincial and territorial governments to being repairing some of the damage done to our infrastructure by our antiquated municipal funding system.

The federal government has made new investments and has begun reforming its infrastructure programs. It has moved toward a longer term funding model that supports better planning and more-efficient use of tax dollars. It has fostered a new spirit of intergovernmental partnership, and designed faster, more-efficient funding programs. The building blocks of a permanent solution to the municipal infrastructure deficit are taking shape. The challenge now is to put them together.

Emerging infrastructure challenges

In addition to repairing rapidly aging roads, bridges, and public transit systems, and making new investments to support growth, municipalities face a range of new and unprecedented infrastructure challenges.

Transportation

To compete globally, Canada needs fast, efficient transportation networks that connect companies to customers, workers to jobs, and communities to international markets. However, a lack of long-term funding and coordination among governments has allowed traffic to clog city streets and critical gaps to form in Canada's air, rail, road and marine linkages.

The average Canadian commuter spends the equivalent of 32 working days a year travelling to and from work. The Greater Toronto Area and Metro Montréal have average daily commute times of more than 75 minutes, longer than London, New York, and Los Angeles. Many other urban regions, including Ottawa, Calgary, and Vancouver, need major investments to fight growing gridlock.

The lack of adequate transportation infrastructure is not just a problem for large cities. In many rural, remote, and northern areas, communities lack the bridges, highways, and airport infrastructure to support families and industry, or remain reliably connected to distant markets.

Wastewater

Proposed new federal wastewater regulations will require cities and communities to rebuild one in four of the country's wastewater systems, at an estimated cost of more than $20 billion.

Climate change

Climate change is creating growing cost pressures, most immediately in northern communities, where the cost of adapting roads, bridges, and public buildings to a warming Arctic could more than double the North's estimated $400-million infrastructure deficit.

The devastation caused in New York City and along the U.S. Atlantic seaboard by Hurricane Sandy starkly illustrates the needs and the costs of inaction when it comes to adapting our infrastructure to increasingly extreme weather events. We can choose to invest now, so we are ready for these events, or pay many times more later in recovery and rebuilding costs, as well as the incalculable cost in disrupted lives and commerce.

Boosting our lagging productivity

Successive federal governments have focused on closing the innovation gap between Canada and its international competitors, especially the United States. A study by the Institute for Research on Public Policy showed that manufacturing productivity levels were almost identical in Canada and the United States in the mid-1990s. By 2006, productivity in the United States was more than 20 percent higher than in Canada. Governments are constantly searching for the cause and for a solution.

While public infrastructure appears to be important for economic success, its impact on productivity has not been clearly described or analysed, due to the difficulty of collecting and analyzing data. However, during the period when productivity in the United States outpaced Canada's, infrastructure investment in Canada declined by 3.5 percent while in the United States it grew by 24 percent. The discrepancy between Canada's infrastructure investments and that of other global competitors, especially China and the European Union, are even greater.

A study for the Residential and Civil Construction Alliance of Ontario by economic forecasting firm *RiskAnalytica* suggests that underinvestment in public infrastructure over the next 50 years could cost Canada 1.1 percent in real GDP, a 20 percent cut to the net profit of Canadian businesses, and thousands of dollars in lost salary for workers.[1] The same study showed that for every extra tax dollar invested in improved infrastructure, the taxpayer is better off by $1.48 on average, in after-tax wage terms. Clearly, investing in infrastructure is a smart investment to protect and improve our enviable quality of life and productivity.

[1] Stiff, David and Smetanin, Paul. Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth. RiskAnalytica, 2010 http://www.acec.ca/assets/pdf/advocacy_pdf/RCCAO_Report_2010.pdf

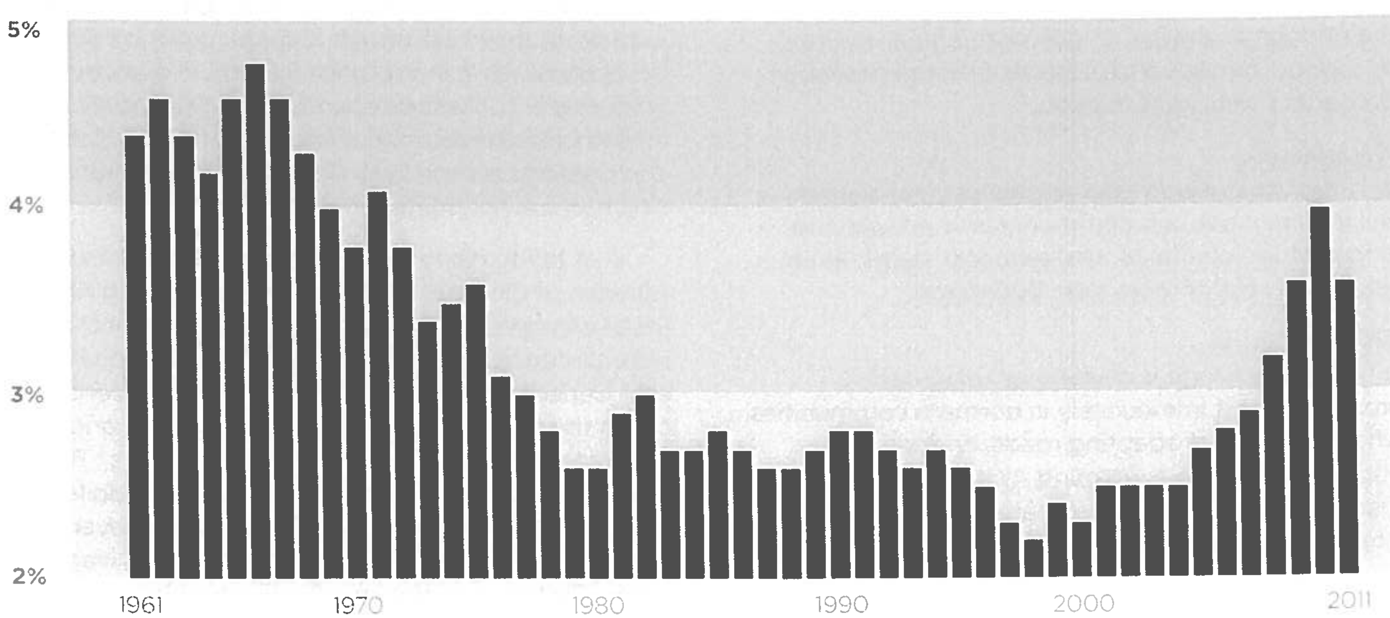
II. SETTING THE CONTEXT

Reversing the long decline in Canadian public investment in infrastructure

Between 1961 and 2002, governments in Canada together spent an average of 3.1 percent of GDP on public infrastructure. However, this number doesn't tell the whole story.

From the 1950s through to the mid-1970s, a period of massive urbanization, population growth and a burgeoning economy, Canada spent more than four percent of GDP on public infrastructure, recognizing its importance to underpinning our economy in an increasingly competitive world. These figures tailed off quickly, reaching a low of just over two percent of GDP in the late 1990s.

FIGURE 1:
Total Government Infrastructure Investment Relative to GDP



Source: Casey Vander Ploeg, "New Tools for New Times," Canada West Foundation, 2012 (http://letstoc.com/wp-content/uploads/2012/05/Iil_Myth-Mystery-Myopia.pdf)

The recent resurgence of interest in the role and importance of infrastructure, which is driven partly by a massive and growing infrastructure deficit following decades of neglect, and partly by the pressures of globalization and increased competition, saw public investment in infrastructure reach just over three percent in 2008[2].

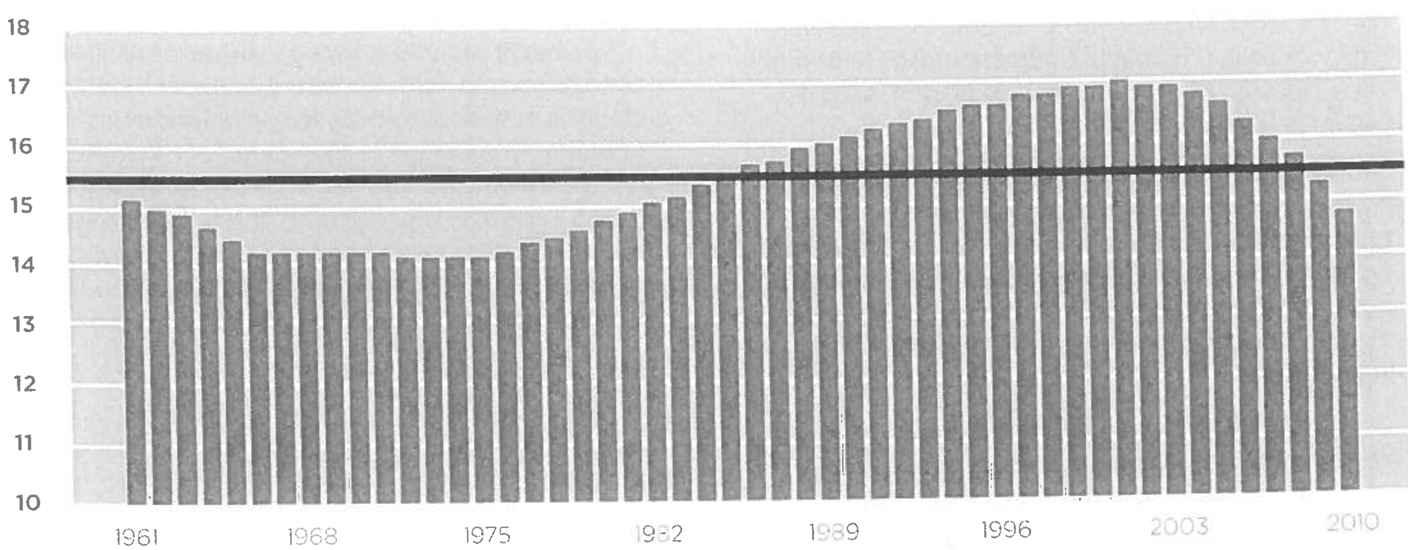
To put these numbers in perspective, Canada's GDP in 2012 will be close to $1.8 trillion. The difference between investing three percent of GDP in infrastructure and four percent is about $18 billion, four times the amount the federal government is expected to invest in public infrastructure in 2012.

The good news is that all governments have made massive reinvestments in infrastructure, led in large part by a new and sustained federal interest. The challenge is to protect this momentum and build on it to ensure we have the infrastructure we need to create jobs and compete globally.

Aging infrastructure

What does this mean for our infrastructure? Quite simply, the vast stock of infrastructure built in the 1950s through 1970s, which helped Canada become one of the world's leading economies, is close to the end of its service life (see Figure 2). Municipalities, which collect just eight cents out of every tax dollar from a limited, regressive property tax system, are pressed to maintain and replace this critical national asset. The result is visible in cities and communities across the country: traffic congestion, potholes, rusting bridges, and leaking water pipes.

FIGURE 2:
Average age of core public infrastructure (1961 to 2010) = 15.41



Source: Infrastructure Canada, *Building for Prosperity*, 2012 http://www.infrastructure.gc.ca/plan/bpp-pbp/booklet-livret/index-eng.html

[2] Investments topped four percent briefly in 2010 as a result of one-time stimulus investments in 2009-11.

From a low of 14 years in the 1960s, the average age of infrastructure peaked at 17 years in the late 1990s. The average age started dropping as investment trends reversed, and Canada began rebuilding and replacing its infrastructure. The momentum has shifted. Earlier this year, FCM released the first-ever Canadian Infrastructure Report Card, which gave municipal infrastructure mixed grades. The overall grades for the four asset categories assessed show about 30 percent of municipal infrastructure ranks between "fair" and "very poor".

The report card suggests that recent investments in core public infrastructure are beginning to have an effect. It also shows that work still needs to be done to ensure the remaining problems don't grow in response to new challenges, including extreme weather, new wastewater regulations, and continued population and economic growth.

Keeping taxes low and investing in increased productivity

Canadian taxes are lower now than they have been for generations. Taxes collected by all governments peaked in 1998 at 37 percent of GDP and this has dropped to 31 percent, a savings of $12,000 a year for a family of four.

Although taxes as a percentage of disposable income are down, tax revenues collected by all governments are still up. This is a result of a progressive taxation system built mainly around taxes that grow with the economy, particularly sales and income taxes collected by federal, provincial and territorial governments.

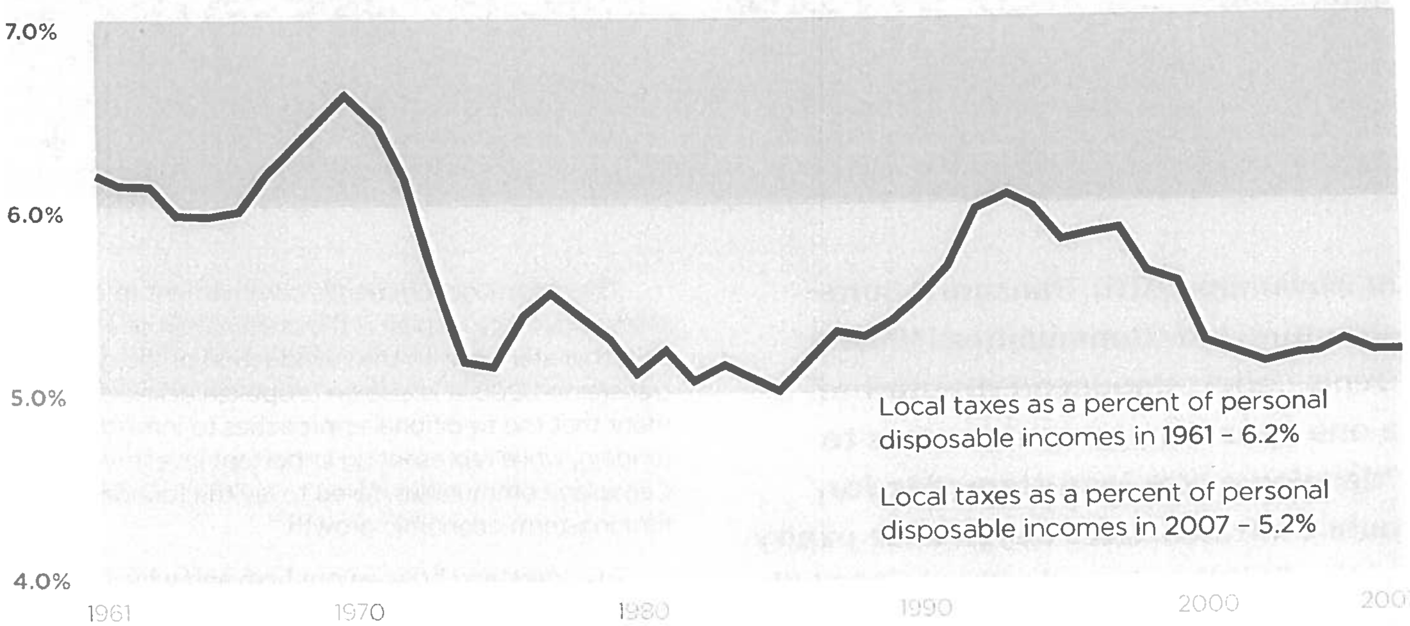
What does this mean for infrastructure investments? It means there is an incentive for governments to invest in measures that grow with the economy, such as improved infrastructure. Economic growth leads to higher wages and greater consumption, which generate more tax revenues. More tax revenues create opportunities to reinvest tax dollars to support more growth and to reduce tax rates. This in turn encourages individuals to invest in their own productivity and consumption, which supports still more growth.

There is an even more direct incentive for federal, provincial and territorial governments to invest in infrastructure: they gain a direct benefit in the form of increased income and sales taxes generated by infrastructure construction. In fact, for every dollar the federal government invests in infrastructure, they receive 17 cents in new tax revenues. In 2012, the federal government will invest approximately $4 billion in municipal infrastructure, added to the approximately $15 billion invested by municipal governments. In return, the federal government will receive about $3.4 billion in new tax revenues, almost covering their investment.

However, these incentives do not apply to local governments. Municipal governments rely on the property tax to fund their contributions to infrastructure, a tax that does not respond to economic growth. As a result, municipal property tax revenues do not grow with the economy; they grow only if tax rates are increased. Growth does not pay for more growth when it comes to municipal infrastructure investments.

As a result of federal, provincial and territorial cuts to municipal infrastructure funding in the 1980s and 1990s, the responsibility to maintain almost 60 percent of Canada's public infrastructure fell on municipal taxpayers. The result was a combination of reduced infrastructure spending and higher property taxes, as municipalities were forced to pay for repairing and replacing declining infrastructure and building new infrastructure to respond to population growth.

FIGURE 3:
Total local property taxes collected in Canada, as a percentage of disposable income



Source: Casey Vander Ploeg, "New Tools for New Times," Canada West Foundation, 2012 (http://letstoc.com/wp-content/uploads/2012/05/lil_Myth-Mystery-Myopia.pdf)

Between the late 1980s, when infrastructure built in the 1960s and 1970s reached the end of its service life, and the early 2000s, when federal, provincial and territorial governments began reinvesting in infrastructure, the value of all property taxes collected increased from five percent of disposable income to six percent—a 20 percent increase. Property taxes have dropped since federal and provincial/territorial governments began supporting municipal infrastructure again. Federal, provincial and territorial infrastructure investments can help keep property taxes down.

The long-term infrastructure plan is an opportunity to recognize and plan for the benefits of investing the growth revenues collected by federal, provincial and territorial governments in infrastructure, which in turn will generate direct benefits back to these governments and, more importantly, sustain growth and improve productivity.

III. TWO DECADES OF SHORT TERM INVESTMENTS

In November 2011, Transport, Infrastructure and Communities Minister Denis Lebel announced the start of a one-year engagement process to "develop a new long-term plan for public infrastructure beyond the expiry of the Building Canada Plan in 2014."[3] The minister said that this would "build the foundation of a new infrastructure plan that supports economic growth and job creation."

The federal government's commitment to a long-term infrastructure plan is the culmination of a policy shift that started with the introduction of the gas tax transfer in 2005. It is also an unspoken acknowledgement that the traditional approaches to infrastructure funding, while representing important investments in Canadian communities, failed to lay the foundations for long-term economic growth.

To understand how we got here and why it matters, it is instructive to look at the history of the last two decades of federal infrastructure funding.

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 (GTF) in 2005 and the seven-year Building Canada Plan in 2007, 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.

These programs and the lack of certainty around funding tended to shift funding away from high-priority projects toward those that seemed most likely to be funded.[4] By shifting scarce resources away from priority repairs and upgrades, this can actually contribute to the infrastructure deficit.

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[3] *Government of Canada Invites Partners to Join in Developing a Long-Term Infrastructure Plan*, Infrastructure Canada, news releases, November 30, 2011

[4] Richard Soberman, Review of Federal Gas Tax Transfer and Infrastructure Programs, paper prepared for the Federation of Canadian Municipalities, 2006

Short-term infrastructure programs serve to move municipal capital planning away from strategic, longer term considerations toward a transactional approach that often fails to take into account future fiscal and planning impacts.

2005 – 2009: Paradigm shifts and stalls

In 2005, the federal government announced a major policy shift in how it financed municipal infrastructure. Originally designed as a back-end loaded program ramping up to $2 billion at the end of five years, the GTF was packaged as an environmental measure designed to encourage investments in "green infrastructure".

While some aspects of the GTF made it a more effective way to finance local capital projects, notably that it was not application-based, its five-year time horizon was too short to allow its proper integration into long-term capital budgeting and planning. This problem was addressed in 2008 when the government made GTF permanent, and added further certainty to the program in 2011 when GTF was legislated.

The need for a long-term funding horizon was formally recognized by the federal government in Budget 2006: "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."

In Budget 2007, the Government of Canada broke new ground with the announcement of a seven-year infrastructure fund. The Building Canada Fund provided the longest funding commitment and framework, with close to $18 billion dollars for municipal infrastructure.

But the paradigm shift stalled. The design and development of the Building Canada Plan was saddled with many of the administrative problems that beset earlier programs. It was not until the 2009 recession brought a renewed sense of urgency to infrastructure investment that the plan's red tape was finally cut, allowing much-needed investments to flow.

Importantly, as highlighted by the Auditor General of Canada in her 2010 report, the approach introduced in the design of the federal stimulus funds dealt with a number of the problems that had beset earlier programs, particularly an overly complex application process that discouraged municipal take-up.

As the Auditor General of Ontario pointed out in his 2010 report, the 2009 stimulus program, while implemented in record time and characterized by new flexibility, suffered from problems that had plagued earlier federal infrastructure programs. Most significantly, the program's short-term, application-based design displaced municipal funding away from well-established priority projects to second-tier and third-tier priorities.

IV. TOWARDS A LONG-TERM INFRASTRUCTURE PLAN

Our proposal for the long-term infrastructure plan (LTIP) is designed to address those program shortcomings and respond to the needs and priorities of the funding partners and all Canadians.

FCM's proposal has three fundamental objectives:

1. Build a stronger economy and create new jobs;
2. Ensure long-term value for money invested; and
3. Leverage support and investment from all three orders of government, the private sector and other infrastructure stakeholders.

Our proposal recognizes the importance of making every dollar invested through LTIP deliver maximum value by ensuring that the highest priority infrastructure is built or repaired—at the right time and for the right reason—by following rigorous long-term asset-management plans, and by designing funding programs that minimize red tape and maximize accountability.

A real plan to tackle Canada's infrastructure challenge and deliver on these shared objectives must ensure that municipalities have access to secure, predictable funding. This aspect is critical when planning and building infrastructure with a lifespan of from 30 to 70 years. Predictable revenue streams are also essential to making P3s work by, for example, ensuring that all partners know how a project will be funded for the duration of what can be multi-decade financing plans.

EXISTING INVESTMENTS IN PUBLIC INFRASTRUCTURE

The federal government invests approximately $3.25 billion[5] annually through the following key programs:

Gas Tax Fund (GTF):	$2 billion
Building Canada Fund (BCF):	$1.25 billion
Total:	**$3.25 billion**

[5] The federal government also invested an average of $300 million to $400 million in dedicated funding for public transit between 2005 and 2010. The last of these programs, the Public Transit Capital Trust, expired in 2009-10. In addition, the government's 100% rebate of the GST is worth approximately $700 million to municipalities. Municipalities are also able to access a portion of other, smaller programs, including the P3 Fund, the Green Infrastructure Fund and the Community Infrastructure Investment Fund, together worth $450 million annually.

Finally, a real plan must protect the momentum generated by the Building Canada Plan while recognizing and meeting new and emerging infrastructure challenges related to economic growth, demographic changes, new regulations, and the need to adapt our infrastructure to climate change and increasingly extreme weather.

These and other smaller existing federal programs leverage an additional $3.4 billion in matching funds from provincial, territorial and municipal governments.

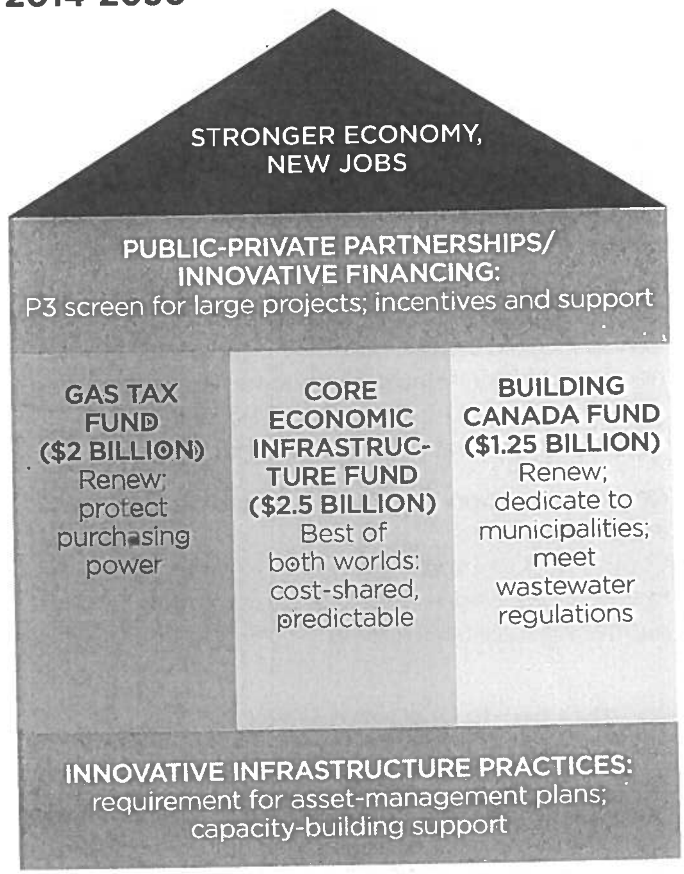
These funds are in addition to the $12 billion to $15 billion municipalities spend annually on their infrastructure outside of these programs, using their own revenues, and tens of billions more invested by the federal, provincial and territorial governments on infrastructure like major highways and bridges, hospitals, schools, ports and defense assets.

FCM's proposal: Building on a strong foundation for a stronger economy

Our proposal is built around the renewal of two existing federal infrastructure programs and the creation of one new program concept. These programs should all leverage the value from improved and innovative infrastructure practices, such as good asset-management plans, as well as private-sector partnerships and other alternative financing.

The primary objective of these three programs, when leveraged with private-sector partnerships and innovative infrastructure practices, is to build a stronger, more innovative economy; improve the nation's productivity; and create and sustain new jobs.

LONG-TERM INFRASTRUCTURE PLAN 2014-2030



1. Long-term, predictable funding

Truly long-term, predictable funding facilitates more efficient and effective investment decisions. Municipal asset-management plans and capital budgets are often 10 to 30 years, for assets with a lifespan from 50 to 100 years. When funding matches planning horizons, plans are more realistic and less likely to be changed in response to the latest funding programs. They can therefore maximize available funds and begin work sooner.

Uncertainty about future infrastructure funding forces construction companies to delay hiring new workers and investing in new equipment until funding is approved. This often results in short-term labour shortages, inflation in wages and supplies, and delayed, more costly projects.

Finally, infrastructure funding must be both predictable and long term. Businesses make investment decisions about where to locate new plants or upgrade existing ones based on the public infrastructure and services available and planned. But companies know that infrastructure plans without predictable and reliable funding are just plans, not guarantees of future action, and they will not make decisions based on plans. Predictability means being able to budget for future funding, not being forced to wait until it arrives to begin planning. Application-based funding mechanisms like the BCF have a place in responding to large, one-time needs, such as new wastewater-treatment systems. But without predictability, the funding cannot be included in asset-management or long-term capital plans.

Recommendation 1 – Funding should be long-term and predictable
Commit funding to LTIP for 15 to 20 years with five-year planning cycles, with the exception of the permanent Gas Tax Fund.

2. Total public investments

We propose that the Government of Canada extend the existing Gas Tax Fund at $2 billion annually and extend the existing Building Canada Fund, which invests on average $1.25 billion annually, for a total of $3.25 billion in renewed funding. We also propose the creation of a new Core Economic Infrastructure Fund (CEIF) to invest $2.5 billion annually in new funding for roads, bridges, water, wastewater and storm-water systems, and public transit. The total federal investment proposed is $5.75 billion.

Every new dollar the federal government invests through the $2.5 billion CEIF will go to core economic infrastructure and will be matched by provincial, territorial and municipal governments. The federal government's investment will leverage an additional $5 billion from provincial, territorial and municipal governments through CEIF, and $2.5 billion through BCF. LTIP would therefore see total annual investments by all three orders of government of $13.25 billion.

Assuming other investments in federal, provincial, territorial and municipal infrastructure are maintained at existing or greater levels, LTIP would increase the percentage of GDP invested in infrastructure by 0.3 percent, to approximately 3.7 percent, almost returning Canada's total infrastructure investments to the levels of the early 1970s.

Recommendation 2 – Invest to leverage additional funds
A federal investment of $5.75 billion in LTIP will leverage an additional $7.5 billion in new provincial, territorial and municipal investments. These investments are on top of the $12 to $15 billion that municipalities already invest in local infrastructure and billions more contributed by provincial and territorial governments.

Creating jobs and building the economy

Total LTIP investments of $13.25 billion by federal, provincial, territorial and municipal governments will directly create almost 150,000 new jobs annually and could add as much as $16 billion to real GDP, almost a full percentage point.[6] This new and rehabilitated infrastructure will benefit the economy by reducing costs, improving the mobility of goods and workers, and attracting and retaining skilled workers. For example, according to Statistics Canada, every dollar invested in transportation infrastructure reduces private-sector costs by 17 cents.

[6] According to Conference Board of Canada research, every new dollar invested in infrastructure increases real GDP by $1.20

3. Focused, predictable and fast programs

Renew and improve the existing Gas Tax Fund and Building Canada Fund

The Gas Tax Fund and the Building Canada Fund, the foundations of the Building Canada Plan, are well understood by the governments involved; are built on negotiated and well-designed agreements; and generally work well. These programs should be renewed at existing funding levels with minor improvements to cut red tape and improve visibility, flexibility and accessibility.

The Gas Tax Fund delivers funding to municipalities in a fast, efficient and predictable manner. These funds are often used to rehabilitate core infrastructure, and more than 60 percent of them has been invested in transit and transportation initiatives. Although a large number of projects are funded, many are small or difficult to demonstrate, contributing to the low visibility of this program.

The application-based Building Canada Fund is an excellent vehicle for funding large "one-off" projects that a community could not fund alone. BCF has funded significant wastewater-treatment projects in small and large municipalities. It has also contributed to some of the most ambitious new transit projects in recent decades. BCF projects tend to be comparatively large and highly visible, but there are many fewer BCF-funded projects in a given year than GTF-funded projects. Importantly, BCF funding cannot be incorporated into long-term municipal capital plans, because there is no certainty that a specific project will be approved until late in the planning process.

Recommendation 3 – Renew and improve the Gas Tax Fund and the Building Canada Fund

a. Direct 100 percent of the Building Canada Fund to municipal infrastructure.
b. Protect the current purchasing power of the GTF and BCF against inflation and population and economic growth; index GTF at three percent, the same rate as health-care transfers.
c. Adapt the GTF and BCF as needed to reflect the specific needs and circumstances of each province and territory, in particular Canada's North.
d. Reduce the population cut-off of the BCF Small Communities Component to below 100,000 and streamline the program to ensure small, rural and remote communities can access the funds efficiently and fairly, in particular for roads and bridges.
e. To improve flexibility and streamline program design, harmonize the eligible project categories of BCF and GTF to include all municipally owned infrastructure.

4. Core Economic Infrastructure Fund

FCM proposes that all new federal funds invested in LTIP be delivered through a new program called the Core Economic Infrastructure Fund (CEIF). This Fund would combine the advantages of the Gas Tax Fund and the Building Canada Fund. The CEIF would ensure that all new federal investments in LTIP, beyond the renewal of existing programs, would be matched by other orders of government and that the federal government would have the opportunity to identify the projects in which it wants to invest.

CEIF would use the GTF model to deliver funding to every community on a predictable basis, allowing for long-term budgeting and planning. But CEIF would also borrow from BCF by requiring provinces, territories and municipalities to match federal funds. CEIF would also require municipalities to share with the federal government its annual capital plans, from which the federal government could then choose which projects would receive funding.

CEIF would tend to fund fewer projects than GTF. They would be higher in dollar value, since the federal government would likely choose to direct funding to a small number of strategically important projects in the capital plan every year. CEIF would certainly fund more projects than BCF. They would be lower in dollar value, since every municipality would receive and invest CEIF funding annually.

The result would be a fast and efficient program without the need to re-profile funding due to project delays. This program would generate less red-tape and lighten the paper burden; provide municipalities with the flexibility they need for better planning; and allow for rigorous annual reporting and strong visibility.

MAKING LTIP WORK IN CANADA'S NORTH

The unique conditions of Northern and remote communities greatly affect how municipal infrastructure is built and maintained there. These communities face extreme isolation; a shorter and highly variable construction season; limited human resource availability and capacity; limited access to capital; growing demands on aging and existing infrastructure; early stages of corporate development; and unique project needs.

Extreme weather conditions shorten the life of many assets in the North, and climate change, which is occurring there more rapidly than in the south, exacerbates this effect. From a demographic perspective, the three territories are seeing population increases driven by new employment opportunities and overall higher rates of fertility. However, the market has not been efficient in delivering assets considered critical to social and economic development in the region, including housing, communications infrastructure, recreational facilities and deep seaports.

Designing LTIP for Canada's North

To accommodate and respond to these unique conditions, infrastructure funding programs must be designed and customized for these communities. For example, with the North's much higher construction costs, most Northern communities with their limited resources have trouble sharing one third of the costs as required by traditional application-based funding programs.

The Gas Tax Fund works very well in the territorial North, because of its flexibility and predictability and because it does not require cost-sharing. The BCF was adapted to the North through agreements with each territory, so that some of its funds could be allocated using "GTF-style" mechanisms. In some cases, capital planning and project funding is managed by the territorial government in consultation with communities. This model addresses many of the challenges with traditional application-based programs, by reducing administrative burdens, maximizing project flexibility and increasing the federal share of eligible costs. These elements need to be retained in LTIP.

FCM's "best practices" for designing an "LTIP-Territories" component:

- Use "base + population" or similar approach for the national allocation formula to ensure the territories receive funding adequate to their unique needs.
- Generally disburse funds using a transfer-style mechanism like the GTF; very few funds should be application based;
- Maximize the ability of communities to "stack" federal funds from various programs, given the limited local availability of capital;
- Application forms and reporting requirements should be simplified, and designed specifically for the territories;
- Ensure territorial municipal associations or other partners are allowed to apply for funding on behalf of northern municipalities;
- Broaden the list of eligible project categories, including recreational infrastructure, in recognition of the importance of all public infrastructure in these small communities.

Building communities in the North is important for local social and economic sustainability. Given the role this region plays in national sovereignty and supporting resource development, these investments should also be seen as critical to nation building.

Recommendation 4 – Core Economic Infrastructure Fund (CEIF)

a. Invest $2.5 billion in a Core Economic Infrastructure Fund (CEIF), to be matched by municipal governments and by provincial and territorial governments, for a total program value of $7.5 billion a year.
b. Focus CEIF on core economic infrastructure, such as transit, roads, bridges and other municipal transportation infrastructure; and on water, wastewater and storm-water infrastructure.
c. Direct $1 billion of this fund to the Cutting Commute Times component, and $1.5 billion to the Core Infrastructure Component.
d. Allocate the Core Infrastructure Component to each province and territory using the same "base plus per capita" formula used for GTF and BCF, with federal funds matched by provinces, territories and municipalities; adapt the Core Infrastructure Component to reflect the specific needs and circumstances of each province and territory, in particular Canada's North.
e. Deliver Core Infrastructure Component funding to every municipality using the same method as GTF; require funding recipients to present their annual capital plan from which the federal government can designate its CEIF funding for the purposes of reporting and visibility.

5. Reduce gridlock, build transit

Canadians count on modern, efficient transportation networks. They count on high-quality roads to get to and from work. Businesses count on these same systems to link their goods and services to domestic and international markets. Canada's overall economy is directly dependent on the transportation systems in its largest cities.

Yet recent studies exploring how well transit and transportation systems support the activities of Canadians and businesses tell a troubling story. Each year, Canadians spend, on average, 32 working days a year commuting. In our largest cities, this challenge is even more acute. Average daily commute times in Calgary are 66 minutes; in Vancouver, 67 minutes; and in Montreal and Toronto, nearly 80 minutes.[7]

Traffic congestion also has significant and direct impact on the productivity of local businesses. Transport Canada has estimated that traffic congestion in Canada costs our economy almost $5 billion a year in lost productivity. This research did not include the costs associated with moving goods across our country. A study by the OECD, which did include these costs, concluded that gridlock costs the City of Toronto alone $5 billion.

Reducing traffic congestion in our cities must be a priority for all governments. Without modern, efficient transit systems, the road networks that facilitate the movement of goods and people across our country will come to a standstill. Ensuring that the LTIP targets traffic congestion in meaningful and measurable ways is key to Canada's continued long-term economic prosperity.

Current investments and future needs

The Government of Canada invests approximately $750 million annually in transit and projects to reduce traffic congestion through the existing GTF and BCF. These programs should be extended at the current level of investment.

In a recent study, the Canadian Urban Transit Association (CUTA) estimated transit capital needs of $53.5 billion between 2012 and 2016). Approximately $40 billion of this $53.5 billion will come from existing funding commitments by all governments, including almost $4 billion over five years from GTF and BCF. This leaves a funding shortfall of $13.5 billion. CUTA estimates that the federal share of closing this $13.5 billion shortfall is approximately $1 billion a year.

CEIF "Cutting Commute Times" component

We propose that $1 billion be dedicated from the Core Economic Infrastructure Fund (CEIF) to a "Cutting Commute Times" component to reduce gridlock and build transit. When combined with investments in transit and reducing traffic congestion made through the Gas Tax Fund, the Building Canada Fund and the rest of CEIF, LTIP will invest a total of $2 billion annually in reducing commute times, on top of new and ongoing provincial and territorial investments.

[7] Statistics Canada 2010. "Commuting to work: Results of the 2010 General Social Survey" Available at: http://www.statcan.gc.ca/pub/11-008-x/2011002/article/11531-eng.htm.

Past federal transit investments have been allocated on some combination of population and transit ridership to ensure funding is allocated according to need. This approach should be continued and expanded to include metrics related to cutting commute times and local mobility targets. Consideration must also be given to ridership growth forecasts so that this funding can be used to build new transit that encourages new ridership.

Recommendation 5 – Reduce gridlock, build transit
To reduce congestion and improve local mobility, allocate the $1 billion Cutting Commute Times component of the CEIF to transit, based on current and projected transit ridership and other measurements of mobility ; ensure the program design recognizes the diversity of transit governance, particularly regional arrangements, in major centres.

6. Meet new and emerging infrastructure needs

FCM's Canadian *Infrastructure Report Card* described a highly developed country with mostly first-class infrastructure with some significant challenges and shortcomings. The report card did not measure or estimate the impact of new or emerging needs that will place added pressures on municipalities.

New wastewater regulations, for example, will require upgrades at one in four wastewater treatment systems across the country, costing $20 billion to $40 billion over 20 to 30 years. Growth in the number of extreme weather events—from flooding, to melting permafrost and ice roads, to drinking-water shortages due to drought—require wide-scale adaptation of our infrastructure. Bridges or storm-water systems built to withstand rare extreme storm events now experience those storms once a decade. Much of this adaptation can be incorporated into planned infrastructure replacement at a limited additional cost, but only if municipalities are able to plan appropriately. Some of this work will cost billions of dollars above and beyond what is budgeted and planned today.

In addition, an aging population requires more accessible and flexible transportation systems, and different kinds of community and recreation services. Continuing urbanization forces large metropolitan areas to plan for significant population increases, while rural and remote areas must balance the need to maintain essential services with the constraints of a declining tax base. Both challenges are new and, in many cases, unfunded. LTIP must not only protect and extend existing programs, but make major new investments to ensure we are able to meet these emerging needs while maintaining the momentum we have built up over the last decade.

Recommendation 6 – Meeting new needs
Prioritize projects that meet new federal wastewater regulations through a $300 million envelope within BCF, with its own application and review process; provide support for the development of local wastewater-treatment plants.

7. P3s and alternative financing

Canada has one of the most developed P3 markets in the world, but there is clearly more room to leverage the expertise and financing of the private sector to meet our infrastructure challenges and maximize the long-term infrastructure plan.

LTIP must provide municipalities with access to a full suite of financial options that provide certainty and predictability, as well as access to new and innovative funding sources and financing approaches. While P3s are not a magic bullet that will solve our infrastructure challenge, they are an important tool that must be in the toolkit available to cities and communities.

P3 Canada was created in 2007 and has begun to build the expertise and role to support and further develop our P3 market. However, its $1.25 billion P3 Fund has experienced significant challenges in investing its budgeted funding. LTIP is an opportunity for the Government of Canada to rethink how it supports the P3 sector and to improve the role and function of P3 Canada.

Predictable funding: the foundation for P3s
Making stable, predictable investments in municipal infrastructure is the most important thing governments can do to improve our infrastructure. These investments extend the life of our infrastructure by supporting regular

repairs and maintenance, which is the single most important factor in keeping infrastructure costs down. But they also create the conditions necessary for P3s by providing municipalities with the secure revenue streams they need to enter into P3 contracts extending for 20 or 30 years. On their own, short-term funding programs can't meet the needs of public or private partners.

Current federal infrastructure programs present municipalities with an either/or proposition: a municipality can *either* apply for cost-shared infrastructure dollars *or* attempt to access P3 funding through a dedicated P3 fund. Future federal infrastructure programs must ensure that traditional investments and potential P3 project funding is available and delivered under a single framework. This will allow, for example, a community to apply for an application-based program like BCF while still considering the P3 option. If the project is appropriate for a P3, then the community can follow that path. If not, the project could still be considered under the application-based program.

When to use the P3 model should be up to individual municipalities. Municipalities need the information and expertise to make an informed choice and the support to manage new and complicated partnership agreements.

Costly business cases, lengthy program-application processes, and up-front legal fees can discourage municipalities from pursuing the P3 option. Current P3 programs do not provide the support municipalities require to do this work. Without this support, increasing the use of P3s in Canada will continue to be a challenge. Support for building this capacity will maximize federal investments by empowering municipalities to make the best choices for where and how to invest in its infrastructure.

Recommendation 7 – P3s and alternative financing

a. Ensure the majority of LTIP is delivered through program models that maximize predictability and certainty. This increases municipal financing options, especially for P3s.
b. Create a "P3 screen" that requires development of a rigorous business case, including an analysis of the P3 option, for all municipal projects valued at $200 million or more and receiving federal funding.
c. Integrate support for P3s and alternative financing into all LTIP programs, rather than developing a segregated program dedicated solely to P3s; ensure that all programs support and encourage consideration of P3 options but do not mandate a P3 approach.
d. Provide direct funding support and technical assistance to municipalities to develop rigorous business cases to analyse the most effective financing model for a particular project, including but not limited to P3s.

8. Infrastructure Innovation

Investments that build the capacity of the municipal sector to use better, more innovative infrastructure planning and practices will maximize the use of every LTIP dollar. Both GTF and BCF allocated funds to capacity building – up to 1% was dedicated for this in BCF, while GTF included capacity building as an eligible project cost, and on average has invested more than 1% in these activities. However, these funds were not always widely accessed due to a range of factors, including local human resource constraints.

These capacity building allocations should be retained and improved in renewed GTF and BCF programs. These programs are especially effective at supporting provincial, territorial and municipal capacity-building initiatives, tailored to local needs. However, a complementary national capacity-building initiative will support these local efforts by taking advantage of economies of scale to produce and share technical knowledge and tools.

A Role for FCM

FCM has more than a decade of experience in building the capacity of local governments to make better infrastructure investments, particularly through the Green Municipal Fund (GMF) and InfraGuide. These programs have a proven track record in reducing cost savings, increasing municipal revenues, supporting innovation and economic development and creating jobs.

FCM's Green Municipal Fund and InfraGuide

The GMF funds pilot projects in innovative infrastructure projects that generate "proof of concept," state-of-the-art knowledge and techniques that can be shared with and applied to all municipalities. It is this combination of direct project funding and knowledge dissemination that makes the program a powerful, cost-effective tool to produce real innovation in Canada's infrastructure practices.

Since 2000, FCM has committed to provide $613 million in financing to support 934 green and innovative infrastructure initiatives, including 162 capital projects, in more than 460 communities across Canada. This $613 million investment has leveraged more than $3.2 billion in total project value from GMF-supported initiatives. When completed, GMF-funded capital projects are expected to save municipalities up to $82 million a year and reduce energy use by 1.1 billion kilowatt hours. The knowledge generated from these pilot initiatives will multiply these benefits when applied in municipalities across the country, generating hundreds of millions of dollars in savings over the long term and better value for every federal dollar spent through LTIP.

FCM's InfraGuide, which operated from 2001 to 2007, was a practitioner-developed, made-in-Canada resource on asset-management planning and infrastructure innovation. It provided best practices and technical guides to municipal engineers, treasurers and public works managers to help them plan more effectively, reduce costs and build more innovative infrastructure. Although it has been five years since the project ended, InfraGuide remains well used in the infrastructure community. With updating and a new focus on training and dissemination, the InfraGuide program could complement the GMF program with highly technical, rigorously researched tools and techniques developed by practitioners and potential industry partners.

Centre for Municipal Infrastructure Innovation and Sustainability

A Centre for Municipal Infrastructure Innovation and Sustainability (CMIIS) would integrate a renewed InfraGuide program and an enhanced Green Municipal Fund to deliver "best of both worlds'" knowledge generation and dissemination on innovative infrastructure practices. This program would build and share knowledge that would enhance the value for money from LTIP through improved efficiencies, environmental sustainability and customer service.

FCM has close to 2,000 member municipalities that comprise 90 percent of Canada's population, as well as a partnership with 18 provincial and territorial municipal associations and a host of other infrastructure stakeholders, including Engineers Canada, the Canadian Public Works Association and the Canadian Construction Association. FCM is well positioned to leverage these networks for a truly national capacity-building program.

As a partner of the federal government in program delivery, FCM has proven itself to be an exemplary steward of public funds, earning praise from the Auditor General in 2005 for good practices in monitoring and oversight with the $550 million GMF endowment. FCM wants to build on this successful model and our successful partnership with the federal government to make LTIP the catalyst for large-scale infrastructure innovation in Canada.

Recommendation 8 – Innovative Infrastructure

a. To support the effective investment of LTIP funding, partner with FCM to create the Centre for Municipal Infrastructure Innovation and Sustainability (CMIIS) to help build the capacity of municipalities to improve asset management and innovative infrastructure practices.
b. To provide the technical foundation for the CMIIS, work with FCM and other infrastructure stakeholders to renew and expand the National Guide to Sustainable Municipal Infrastructure (InfraGuide), which operated between 2001 and 2007 as a partnership between FCM, the National Research Council and Infrastructure Canada.
c. Create the Innovative Infrastructure Fund (IIF) by expanding the FCM Green Municipal Fund endowment to make revolving loans and grants to municipalities for innovative, sustainable infrastructure pilot projects, including asset-management initiatives, and to leverage the best practices of these innovative pilots for use by all communities.