



**CANADIAN ASSOCIATION OF
MUNICIPAL ADMINISTRATORS**

REPORT ON FEDERAL FUNDING PROGRAMS

JANUARY 2022

EXECUTIVE SUMMARY

This report was prepared by the Canadian Association of Municipal Administrators (CAMA) in order to provide input for the Federal Government on funding programs for Canadian municipalities. The report is based on research, as well as on feedback from CAMA members.

CAMA members would like to see Federal Funding Programs that:

- Consider using the Federal Gas Tax Program design as a model for all municipal funding programs.
- Dedicate a federal infrastructure funding stream that targets communities with a population of 10,000 and less.
- Allow for input by municipalities in program development and design.
- Have a consistent criteria for the Provinces/Territories and the Federal Government.
- Are easy to understand, have clear criteria about what will be funded (and to what extent), and have a streamlined application process.
- Are not overly onerous in terms of reporting.
- Include all municipal infrastructure assets.
- Are predictable to allow for long term planning.
- Include all relevant costs, allow “stacking” of various funding programs, and are flexible in terms of cash flows, advance funding for some projects, funding for multi-year projects, and that contemplate increased funding for incremental costs when a project changes.
- Focus on municipal infrastructure.

INTRODUCTION

This is a report prepared by the Canadian Association of Municipal Administrators (CAMA) relative to Government of Canada Funding Programs. CAMA had previously produced a Position Paper, in March 2016 on this same issue, outlining its priorities from an administrative perspective.

CAMA has been supportive of the work done by the Federation of Canadian Municipalities (FCM) relative to infrastructure funding. While FCM's role has been to respond to the policy issues, CAMA has seen its role as providing input relative to the administrative ("on the ground") aspects of the funding programs.

CAMA would like to continue to dialogue with the Federal Government as details for funding programs are established.

Based on the feedback from the CAMA membership, a summary has been prepared of what would constitute, from a CAMA perspective, a good Federal Funding Program. Again, the focus for the CAMA input is on the implementation and administration of funding programs, recognizing that FCM is taking the lead on the policy issues.

Feedback from CAMA Members

CAMA members were asked what issues they (and their staff) have encountered or feel should be addressed in dealing with the Federal Government Programs. Many detailed responses were received from across Canada and communities from very small to large were represented in the responses. There was a strong consensus among the membership and below highlights the feedback with some recommendations for consideration.

RECOMMENDATIONS ON ALL FEDERAL PROGRAMS

CAMA would encourage the Federal Government to consider the following recommendations:

Federal Gas Tax Program – A Positive Model

The Federal Government has a clear model to follow when it comes to funding programs. Many members are very pleased with how the Federal Gas Tax Program is administered and many of this program's attributes should be used in other Federal Funding Programs. The Federal Gas Tax attributes includes:

- Defined funding amounts over several years.
- Clear guidelines on what project types are eligible and not eligible.
- Project types are diverse enough to address Federal objectives as well as municipal ones.
- Well defined reporting process for municipalities to advise on how funds are spent.
- Five (5) years to spend on funding allows the municipality to plan the work and timing.
- Clear timelines on when funding will be made available to the municipality for planning and cash flow.

Recommended Action: The positive attributes of the Federal Gas Tax program should be used in all Federal Funding Programs directed at municipalities.

Extension of the Current Federal Gas Tax Program

Many communities would welcome an extension to the current Federal Gas Tax program. This would assist in future capital planning.

Recommended Action: The Federal Government should begin a discussion on extending the current Gas Tax program.

Small Communities

Small communities (10,000 population and less) are at a significant disadvantage when applying for Federal Program funding.

- Smaller communities cannot compete against large cities for project funding.
- Smaller communities do not have the capacity to navigate the complicated and often technical application processes.
- Smaller communities lack the internal financial resources to apply for and fund their share of project costs.

Recommended Action: The Federal Government should create a funding stream dedicated to communities under 10,000 and take into consideration the limited capacity of those communities to fully complete the application process. The Federal Government could create a program for communities under 10,000 and less and operate it similar to the Gas Tax Program which is administered so that all municipalities, regardless of their size, would get a share of a funding package. By operating similar to the Gas Tax Program, it would make it easier to administer for the Federal Government and the community.

Provincial/Territorial Government Involvement

Provincial/Territorial involvement in facilitating the flow of funds from the Federal Government to municipalities only serves to delay, complicate and reduce the financial impact of the Federal program.

- Provincial/Territorial governments often add their own set of application requirements and approvals to those already in place by the Federal Government.
- Provincial/Territorial governments establish their own set of project priorities which only serves to narrow the scope of funding priorities.
- Provincial governments take a slice of the federal funding for their own needs.
- Some Provinces/Territories do not have the financial resources to participate fully in federal funding programs which puts the municipalities in those provinces/territories at a disadvantage with other municipalities.

Recommendation Action: It is suggested that the Federal Government work directly with municipalities on establishing the program priorities and that the funds flow directly from the federal government to municipalities.

Collaboration with the National and Provincial/Territorial Administrator Associations

Most Federal funding programs are too narrowly focused and do not necessarily reflect the priorities of the municipalities they are intended to assist.

- For example, in some Provinces/Territories, municipalities are responsible for some social services, such as Affordable Housing and Long-Term Care homes that require significant capital investment. No interest loans for these kinds of investments would greatly enhance a municipalities ability to build and maintain such facilities.
- In a similar vein, Federal assistance in healthcare recruitment, especially for healthcare workers would be welcome.



Recommended Action: It is recommended that the Federal Government work closely with National and Provincial/Territorial Administrator Associations to determine funding priorities for Federal funding programs.

More Clarity Around Approval Timelines

There needs to be more clarity around Federal funding approval timelines. Municipalities often have no idea when projects may or may not be approved.

- This can result in delays or even missing a construction season.
- This can result in escalating project costs.

SUMMARY OF PRIORITIES FOR A FEDERAL FUNDING PROGRAM FOR INFRASTRUCTURE

In addition to the recommendations noted above, following is a summary of priorities for Federal Funding Programs for Infrastructure which have been grouped by category for easy reference.

ADMINISTRATION & PROGRAM DESIGN

Clear Names for Programs. The Federal Government, at any time, may have a variety of infrastructure funding programs that affect municipalities. In the past, there has been the Provincial-Territorial Infrastructure Fund, the Gas Tax Fund, the Building Canada Fund – Communities Component, the Building Canada Fund – Major Infrastructure Component, the Green Infrastructure Fund, the Canada Strategic Infrastructure Fund, the Municipal Rural Infrastructure Fund, the Border Infrastructure Fund, the Infrastructure Stimulus Fund, etc. Which fund is intended for a particular municipal priority? It should be easily understandable which fund is applicable and the Federal Government should ensure the overall funding program for municipalities is understandable.

Clear Criteria. When applying for Federal funding, municipal staff should have a clear understanding of the criteria and a clear understanding of when decisions about funding will be made. Criteria should not be open to interpretation and should not require constant checks to determine if a particular project meets the criteria. Also, it should be clear whether the traditional 1/3, 1/3, 1/3 funding model applies or whether a greater Federal share might be applicable in some cases.

Ease of application and reporting. The purpose of the application should be to determine whether the criteria of the funding program has been met. This should not require application forms that are complicated, open to interpretation, or that require more detail than is necessary. Similarly, an effort should be made to make reporting on completed projects easier and more streamlined.

Includes all municipal infrastructure assets. A municipality should be making decisions on which assets are to be replaced based on such factors as age, condition, and risk. Federal programs should not be too restrictive on what types of assets are eligible for funding.

Direct involvement by municipalities in program development and design. Infrastructure funding programs have existed for many years and are seen as necessary to address the municipal infrastructure deficits. Municipalities should be asked (through discussions with FCM and CAMA) how the programs could better address the needs, both from policy and administrative perspectives.

Program review and accountability. There should be some level of review and accountability on the uptake on federal programs to determine if they are meeting the needs they are intended to address. If a program is not widely subscribed, clearly adjustments need to occur to address the real needs of municipalities.

No extraneous application criteria. The recently announced Smart Renewables and Electrification Pathways Program (SREP) requires that the applicant provide an Equity, Diversity, and Inclusion Plan at the Technical and Financial Project Application stage. Extraneous application criteria, such as this (and those tied to the Canada Summer Jobs program), create additional hurdles for municipal applicants, are wholly symbolic, and do not produce substantive change.

Experience (e.g., municipal climate change action plans) demonstrates that application requirements of this type, result in municipalities adopting perfunctory plans that do little to further federal policy aims and may even retard those aims (i.e., after the municipality adopts the perfunctory plan, they see no need to do anything else).

FINANCIAL IMPLICATIONS

Clear definition of municipal infrastructure. Spending on municipal infrastructure has sometimes been insufficient because it is difficult for core infrastructure to compete with other programs that have a wider appeal for the public. Care must be taken not to identify non-infrastructure expenditures as infrastructure expenditures.

Predictable. Municipal staff usually uses the current Gas Tax funding as an example of funding that is predictable. Municipalities should be preparing long term asset management plans for their infrastructure and, to do so, funding must be predictable.

Includes all costs. Large infrastructure projects can often have significant costs related to pre-engineering or land. These costs, including those incurred prior to application, should be considered part of the overall cost in terms of Federal funding.

Stacking. In order to afford some infrastructure projects, a municipality must “stack” funding from one Federal program with funding from another. There should not be a restriction on stacking (recognizing that there may be logistical issues with this).

Cash flow. Infrastructure projects can be very expensive. It is necessary that cash flows for projects be established in advance of major expenditures and that cash then flows predictably according to these schedules. Further, expecting a municipality to “up front” the cost of projects may be a significant burden for some municipalities.

Advance funding. Some projects are extremely expensive and require considerable expenditures before the actual construction even begins. Federal funding should recognize that cash flows may need to start at the pre-planning stage.

Long term funding for a particular project. Again, some projects may be very expensive and may be completed over the course of several years. Municipalities must know that they have a commitment for the entire project before starting the first component of the project.

Does not require replication of existing checks and balances. Municipalities have existing financial systems to ensure that expenditures are in line with accounting best practice. Also, municipalities are subject to rigorous third-party audits of their financial practices. The Federal programs should rely on these existing systems, without requiring municipalities to duplicate these efforts in accounting for the funding received. Ad hoc audits by the Federal funders may be more appropriate.

Flexibility. Projects may change from the time they are first identified to when they are actually constructed. A funding program should allow some flexibility so that the municipality is not expected to cover all of the incremental costs when a project changes. If changes are made and/or required during the course of a project, the level of government that makes or requests the changes should also be responsible for the additional costs associated with those changes.

CONSISTENCY FOR ALL PROVINCES/TERRITORIES

Absence of additional criteria from the Provinces/Territories. If a municipal project meets the criteria established for Federal funding, it should not be subject to additional criteria by a provincial government (or perhaps the criteria from the Federal Government and the provinces/territories should be consistent). This can lead to political interference that could result in a project that is not in line with a municipality's priorities.

Focus on municipal mandates. Federal funding programs must be careful not to blur the lines between the mandate of municipalities and the mandate of the provinces/territories. If the objective is to help municipalities address their infrastructure needs, the municipality must not be enticed in to funding provincial priorities.