Long-Term Infrastructure Plan

SUBMISSION TO INFRASTRUCTURE CANADA FROM THE UNION OF BC MUNICIPALITIES

UBCM

September, 2012
LONG-TERM INFRASTRUCTURE PLAN: SUPPORTING ECONOMIC PROSPERITY

INFRASTRUCTURE
- Eligibility for all local government infrastructure
- Mix of allocated and application based funding, with local choice about priorities
- Maintain eligibility for infrastructure renewal and rehabilitation

COMMITMENT
- Dedicated local government funding
- Long-term, predictable funding
- Indexing to avoid erosion

CAPACITY
- Streamlined programming
- Support community and infrastructure planning and management
- Support sensible P3 choices

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INTRODUCTION

In Budget 2011, the Government of Canada (Canada) committed to work with provinces, territories, the Federation of Canadian Municipalities, and stakeholders to develop a long-term plan for public infrastructure that extends beyond the expiry of the Building Canada Plan. In November 2011, Canada launched a federally led engagement process towards that end.

The engagement process has three components: taking stock, identifying knowledge priorities, and informing the next agenda. With the completion of the first two of these, Canada has turned its mind to the last component, which will build on the work of the first two phases, and engage in in-depth discussions with partners to confirm principles and priorities of the plan.

Over the summer, federal Ministers Lebel and Fletcher held a series of roundtables to discuss the long-term infrastructure plan (LTIP) with representatives of the provinces, territories, local governments and stakeholders. President Heath Slee represented UBCM at the BC roundtable on July 3.

A senior staff level discussion on the LTIP and the permanent Gas Tax Fund was held on August 20, amongst staff from Infrastructure Canada, the provincial Ministries of Transportation and Infrastructure and Community, Sport and Cultural Development and UBCM.

This submission to Infrastructure Canada supports the engagement process with respect to the long-term infrastructure plan, including the permanent Gas Tax Fund, and the replacement of other infrastructure programs under the Building Canada Plan, which will expire in 2014.

This submission is intended to inform national level program design. The BC Gas Tax Agreement provides many unique features, which are not extensively highlighted here. Further discussion amongst the BC Gas Tax partners will be required with respect to these specific program delivery features. A particular focus of those discussions will be considerations about the optimum balance between allocated funding and application-based programs for all areas in BC.

The submission highlights three key themes: Infrastructure; Commitment; and Capacity. Recommendations in each of these areas are provided. These recommendations are intended to support the achievement of multiple objectives, including building strong communities that can attract and retain business investment, thereby contributing to the nation’s economic prosperity.
Both Canada and British Columbia consider economic growth to be a significant priority. For Canada, this is articulated most clearly in Canada’s Economic Action Plan, and for BC, through the BC Jobs Plan. BC’s local governments share this priority, and see the significant role that infrastructure plays in supporting economic growth and meeting a host of other objectives.

Local infrastructure is not only connected to such values as human and environmental health, but also to the health of the economy, through its ability to attract, and retain, business investment. Local governments build communities – communities where people want to live, and where businesses want to locate. This includes not only such basic infrastructure as water and sewer, but also transit and roads, to ease congestion and support efficient goods movement, right through to infrastructure to support protective services such as police and fire, and to provide recreational, cultural and other infrastructure needed to attract workers and customers.

There is a growing recognition that the contribution local government infrastructure makes to economic activity goes well beyond ensuring a sufficient supply of water, wastewater and transportation systems. Competitive Alternatives, KPMG’s Guide to International Business Location Costs, states that: “While business cost comparisons are an important aspect of any site selection process, a wide variety of other factors also influence the competitiveness of different locations”.

The report illustrates other major factors that influence site location decisions, including: recreational opportunities; affordable housing; and safe communities with low crime rates. These quality of life factors rely on local infrastructure; infrastructure like parks, recreation and cultural facilities, protective services facilities and rolling stock, like police buildings, fire halls and fire trucks, and a myriad of other infrastructure investments like brownfield redevelopment, affordable housing, connectivity and broadband, and disaster mitigation works.

In essence, the full range of local government infrastructure can influence economic growth, and so programs will be most effective in meeting economic objectives if they provide eligibility for this broad range of local infrastructure.

These infrastructure investments will also meet many other objectives. In addition to their role in economic growth, investments in local government infrastructure can work towards energy self-sufficiency and food security objectives, and they can support healthier populations.
Investments in local government infrastructure can also help local governments to mitigate and adapt to climate change, and they are key in ensuring local governments have the capacity to implement water and wastewater projects needed to comply with new and emerging federal and provincial regulatory changes. The magnitude of the investment needed to implement just the new federal wastewater regulations will go well beyond what is available under the Gas Tax fund, and must be considered for funding under other LTIP programs. Clearly, while economic growth is an important priority, LTIP funding will also be needed to meet these other critical priorities.

As funding priorities are established, it is also important to consider the dynamic between new infrastructure and infrastructure renewal. All orders of government have become increasingly aware that scarce resources can often be most efficiently used by preserving the infrastructure that is already in place; in essence, by extending the life of the infrastructure through renewal or rehabilitation projects. Consequently, it will be important to ensure that funding programs do not inadvertently encourage the development of new infrastructure at the expense of rehabilitation or renewal of existing infrastructure, where that is the most sensible alternative.

**Investing in Communities**

The Village of Nakusp (population 1,569), has upgraded its 35-year old ice arena with energy efficient components using government infrastructure grants, including Gas Tax funds. The arena (Nakusp Recreation Complex) is considered the regional hub of sports, cultural and recreational activities throughout the winter months, and hosts a number of tournaments and other events each year.

The newly upgraded arena, which included the replacement of a failing ice plant with a new computer controlled ice plant, installation of solar panels and energy efficient lighting, is entering its second full season of operation.

The complex is part of a 12-acre park in downtown Nakusp which also includes a curling rink, skatlepark, children’s playground, soccer field, multiple ball fields and a municipal campground.
While all BC’s local governments are working towards economic growth, climate change, or human and environmental health and safety objectives, the specific infrastructure needs and priorities in each of these communities may be quite different. Some communities will be focussed on projects to meet the new wastewater regulations in the short to medium term; others will focus on water infrastructure or transportation and transit investments as the key to unlocking economic potential in their communities; and still others, particularly in some of BC’s small and rural jurisdictions, will find climate adaptation or protective services infrastructure to be their most critical need.

Given this scale and range of needs, future LTIP programs might be improved by providing a mix of delivery models, so that the benefits of both allocated and application-based funding can be achieved. Delivery under the current Gas Tax Fund in BC could provide a useful model: some is allocated directly to local governments, so that they make local choices about which eligible infrastructure projects to fund, in keeping with local priorities; some is delivered through application-based programs, which are able to support infrastructure investments that are larger than could be accommodated with funding allocated on a per capita basis, or that are particularly innovative or regional in nature. This model has been successful in meeting both program objectives and community needs, and is therefore worth considering for future LTIP programs.

### Recommendations: Infrastructure

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<td><strong>RECOMMENDATION 1:</strong> Ensure all local government infrastructure is eligible for funding under all LTIP programs, including both the permanent Gas Tax Fund and other general infrastructure programs.</td>
<td><strong>RECOMMENDATION 2:</strong> Maintain the ability for local governments to choose what eligible projects to fund with allocated funding programs under the permanent Gas Tax Fund, while retaining some ability to pool funding; build on that successful model by providing a mix of allocated and pooled funding under other LTIP programs.</td>
<td><strong>RECOMMENDATION 3:</strong> Ensure that both the permanent Gas Tax Fund and other LTIP programs recognize and support infrastructure preservation, including rehabilitation and renewal of existing infrastructure.</td>
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COMMITMENT: DEDICATED, PREDICTABLE LONG-TERM FUNDING

Long-term, predictable funding dedicated to local government infrastructure is critical to planning for and managing that infrastructure.

An increasing number of local governments are planning their infrastructure needs well into the future, with 10-year capital plans and 20+ year asset management plans. These plans will be most effective in delivering on infrastructure priorities if federal infrastructure investments over these same time periods are made.

Programs such as the current Gas Tax Fund provide considerable certainty with respect to individual local government allocations over multiple years. This, when added to a delivery mechanism that provides up-front funding and the ability to bank these funds or borrow against them, provides the flexibility local governments need to meet a wide range of circumstances.

This program flexibility is not only widely supported by local governments, but also effective in achieving infrastructure objectives in an efficient and cost-effective way. Local governments across BC have taken advantage of the ability to bank funds and accumulate them for a larger-scale infrastructure priority in a future year.

**Building Healthy, Efficient Communities**

Many communities in British Columbia rely on infrastructure that has met or exceeded its life cycle. These systems commonly use antiquated materials and design standards that are a risk to public health and safety undermine health and are costly to maintain.

For 75 years, the City of Trail has relied upon a cement walled open-air reservoir for its water supply. By saving its annual allocations from the Federal Gas Tax Fund over a number of years, Trail was able to construct a new enclosed water reservoir with state of the art monitoring controls that will provide increased capacity, better water quality, and reduced operator maintenance.
Funding under the permanent Gas Tax Fund should provide this same measure of certainty, and this can only be achieved over the long-term by maintaining some allocation based funding and indexing the full $2 billion commitment. Indexation will protect the current value of that commitment and help to ensure that it is able to keep up with increasing infrastructure costs over time.

Long-term, predictable funding is another area in which other LTIP programs would benefit from elements of the successful Gas Tax Fund model. If a portion of that funding were allocated to individual local governments, in keeping with recommendation 2, funding over the term of the program would become more certain for local governments. This certainty would be enhanced with a long-term commitment in the range of 15-20 years. Like the current Gas Tax Fund, specific LTIP program parameters could be reviewed in 5-year increments.

Lastly, dedicated funding for all local governments should be a feature of the next generation of infrastructure programs. Although provincial/territorial infrastructure is also critical to economic recovery, with 65% of Canada’s infrastructure in local government hands, it is simply not reasonable that they compete with provincial and territorial governments for scarce federal infrastructure resources.

Recommendations: Commitment

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<td><strong>RECOMMENDATION 4:</strong> Ensure that LTIP programs separately designate funding for all local governments, regardless of population.</td>
<td><strong>RECOMMENDATION 5:</strong> Build on the success of the Gas Tax Fund, by providing at least 15 year funding commitments, with 5 year reviews for all LTIP programs, including the permanent Gas Tax Fund and other general infrastructure funds.</td>
<td><strong>RECOMMENDATION 6:</strong> Ensure that LTIP funds are not eroded over time, and are able to maintain their current value, by implementing an indexation factor for both the permanent Gas Tax Fund and other general infrastructure funds.</td>
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Recent infrastructure programs have made significant progress in delivering programming that is sensitive to local government capacity, while at the same time supporting initiatives aimed at building that capacity.

Again, the Gas Tax Fund program has led the way in ensuring streamlined programs with a minimum of bureaucracy. Programming has been delivered with annual reporting requirements and other accountability provisions that are manageable by the broad range of local governments, even those with limited capacity. It will be important to ensure that future programming continues to build on this theme.

Along with streamlined programming, which recognized local government capacity, the Gas Tax Fund was also innovative in the context of providing funding and other tools to build local government capacity. Funding was provided for a range of planning and capacity activities, and support was also provided through the ability for program administrators to use Funds to develop tools and resources that could benefit all local governments.

This approach allowed for progress towards important program objectives in ways that were flexible enough to accommodate a broad range of local governments in very diverse circumstances and in various places along the infrastructure planning continuum. The program recognized that “one size doesn’t fit all” and that imposing new planning requirements on top of an already robust planning framework was not appropriate. Instead, it sought to find ways to help individual local governments “raise the bar” on their own planning activities, and provided support to do so regardless of the initial capacity of the local government.

All governments, including local governments, are increasing interested in finding better ways to deliver services and infrastructure in efficient, effective and economical ways. This leads to an increased emphasis on such things as life cycle costing, asset management, and finding innovative ways to develop, finance, deliver and maintain infrastructure. By building on a successful Gas Tax approach, future infrastructure programs could provide funding, tools and other support for such initiatives, thereby helping to move towards these objectives in ways that foster local government ingenuity.
Supporting Economic Development

Private sector capital investment in communities depends upon the services provided by local government infrastructure.

When the District of Saanich approved the $350 million redevelopment of a conventional plaza into “Uptown” - a village-style urban neighbourhood that combines retail, office and residential space - the municipality sat down with the project team to assess the transportation needs for the complex.

One of the areas identified for improvement was Tattersall Dr., a major road that links Uptown with the major highways in the region. Saanich used Federal contributions from the Gas Tax Fund in combination with investments from the developer and local revenues to complete a rehabilitation of Tattersall road, including the upgrading of storm, sewer and water utilities, the addition of a storm water filtration system, widening of the roadway, intersection improvements to enhance safety and traffic flow, and the addition of bike lanes and sidewalk enhancements to support universal access to the complex.

“Community infrastructure that has exceeded its best-before date is a drag on investment by slowing or limiting projects,” says Geoff Nagle, Morguard Investments’ Director of Development for Western Canada. “By funding upgraded roads, transit systems and core utilities, federal infrastructure programs like the Gas Tax Fund are providing valued support for economic development.”

Public Private Partnerships (P3) come in various forms, and they can certainly help to deliver infrastructure economically and efficiently. Private investment in public infrastructure can also help to spur the economy. However, experience has shown that P3 arrangements do not always provide these benefits, and that they are not appropriate for all situations.
Consequently, infrastructure funding programs that are neutral with respect to whether an infrastructure project is delivered through a P3 or not, helps to support local choices, based on sound business cases for individual projects.

In addition, P3 arrangements can often be complex and difficult to evaluate, particularly for local governments that may be encountering such an opportunity for the first time. Funding programs could serve a useful role in building tools (e.g., best practices guides) to support that evaluation.

**Recommendations: Capacity**

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<td><strong>RECOMMENDATION 7:</strong> Streamline program requirements to ensure a minimum of bureaucracy with accountabilities that consider local government capacity.</td>
<td><strong>RECOMMENDATION 8:</strong> Provide funding, tools and other support to build local government capacity to develop, deliver and maintain infrastructure that is efficient and cost effective.</td>
<td><strong>RECOMMENDATION 9:</strong> Ensure funding programs remain neutral with respect to project delivery through P3 or not, in order to support local choices based on sound business cases.</td>
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**CONCLUSION**

Canada, provinces and territories, and local governments will be well positioned to facilitate economic recovery over the short term and economic prosperity over the long-term, by developing programs under the long-term infrastructure plan with:

- sufficient scope to fund the full range of local government infrastructure, and with some ability for local governments to choose priorities;
- certain, long-term funding commitments, with funding dedicated to local government infrastructure; and
- funding and other support for community and infrastructure planning and management.