

Ottawa ready to boost funding formula to municipalities, sources say

Ottawa to boost its share of infrastructure funding to help municipalities get shovels in the ground.



Municipal officials can expect good news on two fronts in next week's federal budget: A change to the traditional one-third funding formula — at least for some projects — and financial help for the prep work needed to get those infrastructure projects off the ground.

By: [Bruce Campion-Smith](#) Ottawa Bureau, Published on Thu Mar 17 2016

OTTAWA—Ottawa appears ready to boost its share of the funding it provides municipalities as it looks to fast-track an infrastructure spending spree, the Star has learned.

Finance Minister Bill Morneau will take the wraps off the Liberals' first budget on Tuesday — and its contents will put smiles on the faces of municipal leaders, sources say.

And municipal officials can expect good news on two fronts: A change to the traditional one-third funding formula — at least for some projects — and financial help for the prep work needed to get those infrastructure projects off the ground.

Prime Minister Justin Trudeau on Thursday previewed the upcoming fiscal blueprint, saying his government has chosen “investment” over “austerity.”

“We think that this is a great opportunity to be building for the coming decades,” he told Bloomberg.

Trudeau also confirmed that the Liberals will use the upcoming budget to roll back the age of eligibility for Old Age Security payments to 65 from 67 as promised, reversing a change introduced by the previous Conservative government.

The Liberals pledged a big hike in infrastructure funding during last year's election campaign — an extra \$60 billion over the coming decade. The budget will detail the government's plan to roll out the cash in two phases.

The initial phase, to be stretched over two years, will allow infrastructure cash to be spent on existing projects. Billed as “recapitalization,” it will enable municipalities to tackle a backlog of unfunded work.

Trudeau confirmed Thursday that the government's initial focus will be on funding repairs to existing infrastructure.

“The first two years, we're going to do the unsexy things that governments hate to announce, recapitalization of infrastructure, maintenance, upgrades, the things that you don't get to cut a ribbon and announce a shiny new building on,” the prime minister said in an interview with Bloomberg.

He said such work doesn't get the “flash” but is “desperately needed.”

“That's what we're really focusing on in the coming couple of years,” Trudeau said during a visit to New York City.

That's certain to be good news for Toronto, which has a wish list of work that might qualify, such as upgrades to the signal system on the Bloor-Danforth subway line, and renovation and repairs to the city's stock of social housing.

Such work is “critically important,” one government source told the Star.

“If (municipalities) don't have the capacity to repair, it's going to crumble beneath us and that's going to be devastating to the economy,” the source said.

Another source said the nature of this early work would allow projects to quickly get underway.

“It's repair. It's maintenance. It's all the kind of stuff that needs to get done that hasn't been done for a long time. That stuff is ready to go because you don't need to do environmental impact studies, all the process stuff,” said the source, who spoke on background because of the sensitivity of ongoing budget discussions.

And to help cash-strapped cities get some projects off the ground, the government appears ready to provide additional funding, over and above the one-third share that Ottawa paid in the past.

Typically, the cost of infrastructure has been split equally between municipalities, provinces and the federal government. But [municipal leaders have appealed](#) to the federal government to consider paying a greater share — up to 50 per cent — with the provinces paying around 33 per cent and municipalities on the hook for 20 per cent.

It appears that appeal has hit home, with one source saying the one-third funding formula is a “thing of the past.” However, it was not clear whether this new funding formula would apply across the board or just to smaller municipalities that lack the financial resources to fund big projects, such as water treatment facilities.

A spokesperson for Infrastructure Minister Amarjeet Sohi declined to comment on this possibility, saying confirmation of any changes would have to await the budget.

However, Sohi has talked about overhauling the way Ottawa delivers infrastructure cash, saying the approach of the previous Conservative government was “too restrictive” to meet municipal needs.

“Too many deserving projects were disqualified due to narrow program criteria and too many projects took far too long to get underway because of the maze of red tape at the federal level,” Sohi said in speech to a municipal association in Alberta last week.

Municipalities will get good news on another front, too — it’s expected the government will agree to help pay the bill of the costly prep work needed to lay the groundwork for infrastructure projects, such as engineering studies and environmental assessments.

These costs alone have sometimes stopped infrastructure projects in their tracks.

But giving a financial hand to the planning work sets the stage for the second, long-term phase of the infrastructure strategy — funding of new projects.

“What we’re looking at is not so much trying to jolt the economy into life as try to lay the groundwork, the foundation for better growth, better productivity over the long-term,” Trudeau said.