

Introduction

The Federation of Prince Edward Island Municipalities (FPEIM) serves as a unified and authoritative voice for Island municipalities, advocating for effective, accountable, and sustainable local governments.

Municipal governments play a functional role in the daily lives of Islanders. They are responsible for the communities in which people live, work, and access essential services, and they form the backbone of local governance across Prince Edward Island. Municipalities deliver a wide range of essential services, including infrastructure maintenance, land use planning, recreation and parks, emergency management, fire protection, and policing and public safety.

In recent years, municipalities have experienced increased service demands alongside a significant rise in the expectations of residents. These pressures have driven higher operating costs, expanded infrastructure requirements, and more complex service delivery obligations. At the same time, municipalities face heightened uncertainty within the intergovernmental funding environment, particularly with respect to the future of federal infrastructure programs.

To meet these growing demands, municipalities require predictable, sustainable, and reliable funding mechanisms. Continued bridge funding under the recent Municipal Funding Framework, dedicated support for shared services, and stable access to infrastructure financing are critical to ensuring municipalities can plan effectively, deliver high-quality services, and respond to emerging challenges.

Reaffirming the Municipal Bridge Funding Framework

FPEIM calls on the Government of Prince Edward Island to reaffirm its commitment to municipal sustainability by extending the current Municipal Funding Framework (bridge funding) for the 2026–2027 fiscal year, with adjustments indexed to inflation (CPI).

Maintaining this bridge funding will provide municipalities with the financial certainty required for responsible planning, stable service delivery, and continued investment in local infrastructure and community development while longer-term funding arrangements are negotiated.

In addition, FPEIM recommends that a portion of revenue-sharing under the Municipal Funding Framework be allocated to FPEIM to support Islandwide municipal programs and shared professional support and services, including the following:

- Long-term financial planning and asset management support
- Shared information technology services

- Land use planning expertise
- Climate action and community resilience support
- Bylaw, policy and legislative research and advisory services
- Legal and human resources advisory services

This approach would allow municipalities, particularly smaller and rural communities, to access specialized, cost-effective programs and services that would otherwise be financially impractical to maintain independently. In addition, it would improve consistency and capacity across the municipal sector.

Funding Support for Inter-Municipal Shared Services

Municipal capacity constraints are becoming increasingly acute across Prince Edward Island. Many municipalities, particularly smaller ones, face challenges resourcing essential functions such as emergency measures, fire services, public safety, recreation, planning, bylaw enforcement, and other technical or administrative services.

Under traditional service delivery models, the fixed costs associated with delivering these services often cannot be justified at the scale of individual municipalities. As a result, communities that require support the most are frequently the least able to access it.

Inter-municipal shared service models, established among groups of municipalities within a region or community of interest, offer a practical and efficient solution by pooling resources, expertise, and administrative capacity. However, the successful implementation of such models requires stable and predictable funding support.

FPEIM recommends the establishment of a consistent and dedicated provincial funding mechanism for inter-municipal shared services. Such a program would strengthen municipal capacity, promote regional collaboration, and ensure that residents across the province receive equitable access to essential services, regardless of municipal size.

Municipal Infrastructure Bank and Low-Interest Financing

FPEIM welcomes the Province's stated interest in establishing a Municipal Infrastructure Bank, as referenced in the March 25, 2025, Speech from the Throne, and supports early and meaningful engagement in the development of this initiative.

Improving municipal access to infrastructure financing is increasingly critical. The conclusion of the federal Investing in Canada Infrastructure Program (ICIP) and the absence of a clearly defined successor program have created uncertainty for municipalities planning long-term capital

investments. While existing federal transfers — such as the Canada Community-Building Fund (CCBF), now delivered through the Community Stream of the Building Communities Strong Fund (BCSF) — provide important baseline support, they are not sufficient on their own to address growing infrastructure deficits or to finance major growth-related projects.

In this context, provincial tools such as a Municipal Infrastructure Bank or a low-interest infrastructure financing program can play a stabilizing role by providing municipalities with predictable, accessible financing options that complement federal and municipal funding sources. FPEIM brings valuable experience and stands ready to collaborate with the Province in shaping the design of a Municipal Infrastructure Bank or a low-interest infrastructure financing program. This collaboration could help identify effective operational models, including low-interest loan mechanisms for municipal infrastructure projects, and ensure that new financing tools are responsive to municipal realities, fiscal capacity, and long-term sustainability objectives.

Recommendations

FPEIM respectfully recommends the following to the Government of Prince Edward Island:

1. Renew the Municipal Funding Framework bridge funding for the 2026–2027 fiscal year, indexed to CPI, to provide municipalities with financial certainty while longer-term funding arrangements are finalized.
2. Establish a dedicated provincial funding mechanism for inter-municipal shared services, through a separate funding pool, to strengthen municipal capacity and improve efficient, regionally coordinated service delivery across the Island.
3. Engage FPEIM as a key partner in the development of a Municipal Infrastructure Bank or low-interest financing program, recognizing the increasing uncertainty in federal infrastructure funding following the conclusion of ICIP and the need for stable, Province-led financing solutions.