Association of Municipalities of Ontario

BACKGROUNDER

August 2024

Infrastructure

AMO Position

- Ontario municipalities are facing massive infrastructure investments of up to $290 billion over the next 10 years to accommodate growth, manage climate change and keep existing assets in good repair.
- While municipalities own and manage more infrastructure than other levels of government combined, they have the fewest resources and tools to fund capital needs.
- The gap between revenues and needs is substantial. Ontario municipalities raise about $49.3 billion annually in own-source revenue to operate services and invest in infrastructure.
- Development charges (DCs) are a cost-recovery tool to help share the cost of growth. While Bill 185 restored some DC revenues, it did not go far enough to help recover municipal costs related to new developments.
- DC funds can only be used to build the essential infrastructure that new development demands – roads, water, sewers, ambulance stations, and more. They are based on the idea that those who benefit from growth should help pay for it.
- New federal and provincial investments are a great start to building new communities – but infrastructure investments need to increase significantly for the long-term.
- Adapting infrastructure to make it more resilient to extreme weather further increases the cost of infrastructure. However not investing for a changing climate would cost far more.
- Through a proposed *Social and Economic Prosperity Review*, AMO is calling on the provincial government to sit down with municipalities and work together on a joint review of municipal finance, including a detailed analysis of Ontario's infrastructure investment and service delivery needs.

Context

Growth, climate change and aging infrastructure

- Ontario municipalities own infrastructure vital to economic productivity, public health, social and cultural activity, and quality of life. These include:
  - roads and bridges
  - water and wastewater
  - stormwater
  - recreation facilities and community centres
  - social housing
  - long-term care homes
  - transit and many others.

Key Facts

- Ontario municipalities manage $484 billion worth of infrastructure.
- Ontario municipalities are planning between $250 billion to $290 billion in infrastructure investments over the next ten years.
- This includes costs to maintain, repair and replace existing infrastructure, as well as $100 billion related to growth.

(more)

- Many of Ontario's systems were built between the 1950s and 1970s and must be renewed or expanded to serve a growing population and support economic growth – including meeting provincial housing targets by 2031.
- Municipal governments have only a few revenue tools, such as user fees, property tax and development charges, to help fund asset management needs and manage growth.
- Raising property tax or user fees are not the only answer. Such increases disproportionately impact residents on fixed incomes and could compromise critical municipal services.

Funding Programs

- AMO has helped secure key funding programs such as the longstanding Ontario Community Infrastructure Grant for small, rural and northern communities and the Canada Community Building Fund (CCBF) for all municipalities. The federal CCBF is secured for the next 10 years, making Ontario the first province to complete their agreement.
- Through AMO and municipal advocacy, the federal and provincial governments have announced a series of housing-enabling infrastructure grants to help meet provincial housing targets.

Development Charges (DCs)

- DCs are a targeted cost-recovery tool, not a tax. Funds must be tied to specific projects that support growth and cannot be used for any other purposes.
- DCs are an investment in our communities to ensure they remain vibrant and livable.
- While Bill 185 partially restored cuts to development charges made earlier in Bill 23, AMO estimates it will only recoup about $1.9 billion of the estimated $10 billion in lost revenue over ten years.

Water & Wastewater

- AMO, in partnership with the Municipal Finance Officers Association (MFOA), released a backgrounder on municipal services corporations as municipalities look for different ways to finance and operate water and wastewater infrastructure
- Municipal Services Corporations can offer some benefits, particularly for communities who want to increase borrowing capacity or work across municipal boundaries to realize economies of scale in finance and operations. However, they are not a silver bullet. MSCs present risks and trade-offs and do not make sense in all contexts.

Other Resources and Reports

- 2021 FAO Review of Ontario Municipal Infrastructure
- 2022 FAO Estimating Impact of Climate Change on Public Infrastructure in Ontario
- Municipal Infrastructure Funding Overview
- AMO-MFOA Water & Wastewater Municipal Service Corporation Backgrounder

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