Issue at a Glance

Infrastructure
March 2022

Key Takeaways

- Municipalities in Ontario own the most public infrastructure in the province.
- Municipal staff such as Chief Administrative Officers (CAOs), Treasurers and other finance staff are responsible for managing local assets effectively and efficiently. This includes managing financial and human resources, planning and budgeting, and making strategic recommendations.
- Maintaining and adapting infrastructure for climate change impacts is an expensive undertaking that requires continued financial investment, resources, tools, and ongoing support.

Issue

As discussed in our Issue on Financial Sustainability, in order for the municipal sector to be financially sustainable, predictable and reliable funding and support is needed so municipal decision-makers can make strategic decisions to plan for the future. This includes funding for infrastructure assets.

The Federation of Canadian Municipalities (FCM) estimates that Canadian municipalities own approximately 60% of infrastructure. Ontario's Financial Accountability Office (FAO) estimates the current replacement value of Ontario municipal infrastructure at approximately $484 billion[i]. Adding to this, the forecasted impacts of climate change and adapting to climate-based disasters such as flooding and ice storms, means municipalities could see significant costs in the coming years.

AMCTO members have responsibilities for managing and accounting for financial resources, planning and budgeting to support their local councils who make decisions about their local communities, including the management and maintenance of local assets. Many municipalities do not have the financial resources to support the up-keep of their current infrastructure and other local assets.

Why Infrastructure is Important for Communities

Infrastructure at its heart is about connecting and supporting people and their communities. Infrastructure that is well-planned brings numerous social, health and well-being benefits to all residents. From water treatment, to transit, to roads and bridges, to facilities such as community centres, libraries, long-term care homes, and utilities like broadband, ensuring these assets are maintained and sustainable means healthy, safe, and accessible communities.

Local infrastructure also plays a significant role in the economic health and development of communities by connecting supply chains and ensuring the transportation of goods and services across regions. The Chief Administrative Officers, Treasurers and other municipal professionals who manage these assets and services, are trying their best to ensure their local communities have the goods and services they need while remaining financially sustainable and resilient.

Considerations for Local Infrastructure

Asset Management Plans

Municipalities must have a strategic asset management policy and plan (AMP) to ensure the sustainability of their infrastructure-related services. Municipal staff should assess asset management program maturity in their organizations and work to fulfill requirements while also integrating these programs into their long-term municipal planning processes.

There remain several challenges for municipal staff with asset management planning[ii]:

- Data on lifecycle costs, service levels and risk assessment
- Financial resources to collect and maintain the required data
- Adequate staff resources and training

Other external factors municipal staff are concerned about are uncertainties around future costs — including but not limited to supply chain challenges, increasing inflationary pressures and unforeseen climate-related events. These uncertainties make it increasingly difficult to develop reliable financial plans. Moreover, through O. Reg 588/17, the Province has mandated that plans have certain requirements — including levels of service and how to maintain the levels of service. For AMPs to be meaningful, the integration of service levels, risk, and budget should be part of a municipality's prioritized decision-making processes.

New Infrastructure: Growth Paying for Growth

Municipalities require the right tools and mechanisms to support new infrastructure. AMCTO has long supported the position held by a coalition of community and taxpayer interests, environmental organizations, and municipal associations, that growth should pay for growth. Municipalities rely on development charges (DCs) as a one-time charge to cost-recover growth-related capital costs[iii]. DCs are a municipal revenue tool used to recover the costs of new municipal infrastructure needed to serve new neighbourhoods or developments. The Province determines how these charges are calculated[iv]. Limited growth tools mean making tough choices about whether to finance growth projects or continue to provide other services and upgrade other assets. Municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way resulting in costs being passed on to the taxpayer[v].

Impact of Climate Change

On top of the existing infrastructure gap, CAOs, Treasurers and other financial staff must also consider the impact of climate change. According to the Organization for Economic Cooperation and Development (OECD), "the defining characteristic of climate-resilient infrastructure is that it is planned, designed, built, and operated in a way that anticipates, prepares for, and adapts to changing climate conditions. It can also withstand, respond to, and recover rapidly from disruptions caused by these climate conditions."[vi] Canadian municipalities may require $5 billion each year for the next 50 years in order to adapt, and financing is one of the most challenging barriers to climate adaptation[vii]. Municipalities must also be prepared for disaster mitigation and respond to floods, ice storms and other climate-related impacts to their infrastructure and broader communities, usually through reserve management [viii]. These types of events also severely impact municipal insurance costs, driving up premiums[ix].

Operational Burden

Municipalities rely on provincial or federal funding to help fund their infrastructure. There are a number of existing sources of infrastructure support from both the federal and provincial government. However, as noted previously, the timing of these announcements of support make it challenging for decision-making. In addition, the application and reporting process remains burdensome for municipal administrators. While these processes provide important measures for ensuring accountability when it comes to the use of funds, often they can be unnecessarily onerous.

For instance, Ontario Community Infrastructure Fund (OCIF) reporting requires filling out electronic forms completed by staff and returned to the Ministry. Typically, staff from various departments must help complete the forms often resulting in multiple versions of forms. Developing a more user-friendly process with information in one central place for Ministry and municipal staff to access could reduce some of the operational burden.

Conclusion

Municipal decision-makers can do everything in their ability to promote strong financial health in their communities and are complying with regulations for the development of asset management plans. There are several considerations that municipal staff must bear in mind when thinking about local infrastructure needs. With limited revenue streams and rising labour, material, and other costs, it is difficult for municipalities to effectively plan for the long-term.

Ideal solution

Our members would like to see:

1. Continued provincial and federal financial support and investments to ensure vital community and economic development infrastructure that is modern, accessible, and safe.
2. Streamlined application and reporting processes to reduce the burden on municipal staff while respecting local decision-making processes and timelines.

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