

EASTERN ONTARIO WARDENS' CAUCUS

MUNICIPAL INFRASTRUCTURE POLICY PAPER

Produced by the Eastern Ontario Wardens' Caucus

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Introduction

May 21, 2024

It is with great pride and pleasure that the Eastern Ontario Wardens' Caucus presents its partners in the municipal, provincial and federal sectors with the conclusion of one part of its research into the ongoing financial sustainability of local governments across rural Ontario. In this report, the focus is on *municipal infrastructure*.

This report updates one of five policy papers originally published in 2013-2014 as a follow-up to the landmark analysis titled "*Facing our Fiscal Challenges: A Report on the Financial Sustainability of Local Government in Eastern Ontario*". Ten years on, rural ratepayers across the region are increasingly challenged to pay the costs of vital municipal services. This is especially challenging because rural areas have large and growing amounts of infrastructure to be maintained by a relatively small and widely-disperse population. This fact has been amplified by the COVID-19 pandemic's impact on intra-migration, the serious degradation of health and community services, the imposition of additional service responsibilities by the Province of Ontario, and a housing crisis that puts rural municipalities on the front lines.

In presenting this policy paper, the EOWC is looking to continue its efforts that have previously explored with its partners and which have largely proven to be successful. As financial circumstances and budgets continue to be tight, rural municipal governments will require more active support in stimulating growth and employment, and responding effectively to external factors that create turbulent economic and social circumstances. At the same time, provincial and federal partners must continue to partner with municipalities to develop and implement new approaches to lighten the burden for ratepayers.

As it has for more than 20 years, the EOWC will continue to advocate on behalf of its 103 member municipalities across rural Eastern Ontario and work diligently to generate revenues and contain costs. It should be noted that, as in the original municipal infrastructure report, (2013), this update offers analysis and projections that can guide the formulation of recommendations and collective action.

When we consider the capital and operating costs associated with transportation, housing, environmental services, health and long-term care, we face a challenging future to which we must all bring our best. Our physical and digital infrastructure is the bedrock for delivering vital services and ultimately for our shared well-being. On each issue, residents are counting on us.

Peter Emon
Chair, Eastern Ontario Wardens' Caucus 2024-2025

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1. Executive Summary

Municipalities in Rural Eastern Ontario manage \$12 billion in physical assets, with another \$7.8 billion in separated cities and towns (2021). Half of the value of infrastructure in the EOWC area (\$6.6 billion) is invested in transportation infrastructure (primarily roads and bridges). Another \$3.4 billion is invested in EOWC municipalities' environmental services (water, wastewater and sewer; waste management/landfills); the separated cities and towns have nearly as much: \$3.1 billion of this type of infrastructure. Together, these two types of infrastructure represent 80 percent of infrastructure investments in Rural Eastern Ontario.

Municipalities continue to invest in their infrastructure: over the past decade (2012 to 2021 inclusive), EOWC member municipalities invested \$4 billion in total or \$403 million a year on average, in multiple forms of infrastructure but have continued to see the book value decline. These assets now have a book value of \$6.7 billion.

The capital infrastructure deficit is estimated at \$5.8 billion, up from \$3.74 billion in 2011. This simple estimate is based on the difference between the cost of the original investment and the current (depreciated) value. An estimate based on current replacement value of the assets would be much higher.¹

Two-thirds of the capital infrastructure deficit estimate (\$3.5 billion) is for roads and bridges, with another \$1.2 billion associated with environmental services. Rural municipalities are responsible for 86 percent of the region's paved roads (41,734 lane-kilometres), virtually all unpaved roads (19,274 lane-kilometres), 1,829 bridges and 11,364 large culverts. The associated capital infrastructure deficit for transportation infrastructure alone is now \$3.5 billion, up from \$2.48 billion in 2011.

"Ontario's 444 municipalities own and manage the majority of public infrastructure in the province, more than both the federal and provincial governments combined."

[Financial Accountability Office, 2021](#)

EOWC municipalities are spending \$536 million a year to operate and undertake basic maintenance on their transportation infrastructure and services, roughly double that spent in EOWC municipalities (\$235 million). EOWC municipalities also spend \$321 million a year operating and performing basic maintenance on their environmental services infrastructure. Together these two infrastructure assets require \$771 million a year in operating expenditure support.

\$980 Million in Annual Capital Investments is Required. Closing the capital investment gap for *current* infrastructure would require an *additional* minimum annual investment of \$578 million a year (beyond the 10-year average of \$403 million already being invested). This estimate assumes the infrastructure deficit is to be eliminated in 10 years and the \$403 million investment level is maintained. This is more than double the levels of municipal investment, that would have to start now. Note that this estimate does not include any capital investment for growth.

¹ In 2021, the [Financial Accountability Office of Ontario](#) used Current Replacement Value to estimate the "backlog" (infrastructure deficit) for Ontario's municipal infrastructure. For municipal assets with condition reports, the FAO estimated that 45.3 percent of municipal assets province-wide are not in a state of good repair. However, the FAO says that the share could be as high as 50 percent or as low as 40 percent. By comparison, only 34.7 percent of [provincial assets](#) are not in a state of good repair, suggesting that municipalities are having a more difficult time maintaining infrastructure than the Province of Ontario.

Key Statistics for Rural Eastern Ontario’s Physical Infrastructure

Infrastructure Type/Function	Capital Assets at Cost (2021) (CC)	Book Value of Capital Assets (2021) (BV)	Net Value of Assets as % of Capital Cost	Simple Calculation Capital Infrastructure Deficit (CC-BV)
Transportation Serv.	6,671,689,152	3,127,924,676	47	\$3,543,764,476
Environmental Serv.	3,392,967,988	2,213,768,099	65	\$1,180,199,899
Recreational & Culture	836,865,107	523,398,873	63	\$ 313,466,234
Protection Services	411,612,885	217,372,810	53	\$ 194,240,075
General Government	404,359,013	259,851,265	64	\$ 144,507,748
Social Housing	356,858,607	149,686,827	42	\$ 207,171,780
Social and Family Serv.	253,195,470	130,420,245	52	\$ 122,775,225
Health Services	95,922,983	48,399,044	50	\$ 47,523,939
Planning & Develop.	59,720,878	39,531,441	66	\$ 20,189,437
Other	11,879,676	9,256,440	78	\$ 2,623,236
Total – EOWC Area	11,954,133,904	6,718,609,720	54	\$5,776,462,049

Source: Financial Information Returns (FIRs) for all municipalities in Rural Eastern Ontario

Rural Eastern Ontario is a Growing Economy that Can Grow more with Infrastructure Investment.

The EOWC area (24 percent of Ontario’s municipalities) generates \$61 billion in annual economic activity. When the separated cities and towns are included, Eastern Ontario’s economic contribution to the province rises to \$107 billion a year. Rural Eastern Ontario exports \$20 billion a year in manufactured goods outside its regional boundaries.

Major Business Investment is Coming to Rural Eastern Ontario. Examples are: Umicore, battery storage facilities in Edwardsburgh-Cardinal and Loyalist Townships, Chalk River Great Wolf Lodge, and Eastern Ontario Correctional Complex expansion. They need upgraded or expanded infrastructure. Investments in infrastructure have a strong economic impact multiplier (return on investment to the entire community, region and province.) There is, however, an upfront cost to growth which rural municipalities will not be able to manage on their own.

In Rural Ontario, 10 households (on average) maintain a lane-kilometre of paved municipal road; in separated cities and towns, there are 28 households to carry this financial burden. In the EOWC area, 236 households must maintain a bridge; in separated cities and towns, that cost is spread over 709 households.

Rural Eastern Ontario’s Population Growth Exceeds the Provincial Average. The population of the EOWC area grew by six (6) percent between 2016-2021; the number of households grew by 2.3 per cent. This growth was higher than for Ontario as a whole (5.8%), Canada (5.2%) or the City of Toronto (2.3%). In-migration to Eastern Ontario as a whole rose by 34 percent in the first year of the pandemic compared to the preceding four years.

The EOWC Area is a strong performer on housing. In the 2016-2021 period, EOWC municipalities built more housing units per 100,000 population (39) than the City of Toronto (17) or Ontario as a whole (27). Rural municipalities handled \$2.9 billion in building permits (2021), with another \$1.07 billion in the region's separated cities and towns; \$4 billion for Eastern Ontario as a whole). More than 90 percent of EOWC municipalities are meeting the provincial 10-day median working days standard for processing residential building permits.

Rural Eastern Ontario municipalities can't finance infrastructure investments on their own. This report notes that none of the three financing mechanisms for addressing infrastructure needs (funded directly from property taxes, utilization of reserves, or taking on debt) is sustainable for Rural Ontario municipalities. The current debt burden for EOWC municipalities is now \$647 million. While the associated annual repayment limit (as defined by the Province) is \$352.2 million, own purpose revenues (from the municipal property tax base) could not support this level of annual principal and interest payments.

Total reserves (obligatory and discretionary) totalled \$590 million in 2021, less than half the reserves in separated cities and towns (\$1.0 billion), meaning that if current reserves in EOWC municipalities were applied to close the infrastructure deficit, they would be depleted in less than two years. If applied as part of a tripartite infrastructure investment program with provincial and federal governments (an additional \$192 million a year), these reserves would support a longer-term approach to addressing the infrastructure deficit.

Net Revenues for EOWC municipalities are \$1.7 billion a year, meaning that the total annual repayment limit (debt charges and interest) is \$352 million. Financial Information Returns (FIRs) for these municipalities have \$289 million currently unused. However, if current cost-sharing and financing arrangements offered by the Province continue in their current configuration, this capacity will support just \$433 million in additional infrastructure investment.

Rural eastern Ontario municipalities would have to increase their own purpose revenues (with tax increases being the only likely means) by an average of five (5) percent per year for 20 years just to address the current infrastructure deficit. This estimate does not include any tax increases to address rising *operating* costs for any of the services provided by municipalities. Given that on average, jobs across all sectors pay \$6,869 less in rural Eastern Ontario than for Ontario as a whole, ratepayers' ability to pay these kinds of increases is not sustainable.

Innovation must be part of the infrastructure solution. Innovative approaches to capital investments in infrastructure assets as well as their maintenance can significantly extend the lifecycle of assets, optimizing their utility and value over time. Purpose-built innovation (at the time of initial investment) is typically far more effective than retrofitting solutions later on. This approach saves both time and resources and avoids time out of service. Innovation can also lead to operational savings, enhancing the cost-effectiveness of infrastructure management. For example, every one (1) per cent that EOWC municipalities could save on current operating costs for transportation services and environmental services, would result in an \$85 million/year savings that could be redirected to other investment, including future-proofing infrastructure to address climate change impacts.

Recommendations:

The EOWC requests that the Federal Government and the Ontario Government assist in addressing the growing infrastructure deficit:

1. Ensure eligibility for programs and funding fits both rural and small urban circumstances.
2. Federal and provincial funding programs are often unpredictable and irregular in their timing. Predictable, non-competitive, permanent infrastructure funding stream is needed.
 - Determine the increase to the Ontario Community Infrastructure Fund (OCIF) that is necessary to enable rural Eastern Ontario's municipalities to maintain their infrastructure, then allocate provincial funds to do so.
3. Investing in housing goes hand-in-hand with investing in institutional, commercial or industrial (ICI) land uses. Take an integrated approach to infrastructure investments, that also considers Return on Investment that is shared by communities and the Province.
4. Reevaluate debt financing options for small municipalities with limited resources to raise funds, ensuring that funds are directed towards infrastructure development rather than servicing debt interest. Specific considerations should include higher upfront/advance contributions as well as the contribution to GDP of "local" investments to provincial priorities.
5. Work with the provincial Financial Accountability Office to ensure that missing/incomplete data that would make their infrastructure reports more robust is provided, that the evolution in asset management plans is reflected in both municipal and FAO work, and that the FAO and the EOWC compare their methodologies for estimating infrastructure deficits/backlogs.

Background to this Report

This policy paper is expected to contribute to formulation of the EOWC's 2024-2027 strategic plan and any advocacy plans which ensue. The paper was prepared in draft form by Kathryn Wood, CEO of Pivotal Momentum Inc., then reviewed by the EOWC infrastructure working group comprised of:

- Kurt Greaves, CAO Lanark County
- Marcia Wallace, CAO Prince Edward County
- Gary Dyke, CAO Haliburton County
- Connor Dorey, CAO Hastings County
- Meredith Staveley-Watson, Manager of Government Relations and Policy, EOWC.

The primary data sources for this paper were:

- [Financial Information Returns \(FIRs\)](#) for all the municipalities within the geographic area served by the EOWC. Data was also extracted and aggregated for the 10 separated cities and towns served by the EOMC. In some cases, FIR data going back to 2000 were used to project operating and capital expenditures through to 2030. For reference purposes, this report used 2021 municipal data because it was the fiscal year for which FIRs were posted publicly for virtually all municipalities in Eastern Ontario. At the time of analysis, more than 40 municipalities had not posted FIRs for 2022.
- [Statistics Canada Census data, 2021](#). This source was used for population, household, dwelling unit and other similar statistics. All data used in this report was gathered and analyzed at the census subdivision level.
- [Financial Accountability Office of Ontario](#) – Municipal Infrastructure and Provincial Infrastructure reports produced in 2021 and 2020 respectively.
- Asset Management Plan(s) posted in the public domain, on municipal websites.
- [Lightcast Analyst](#) was used to obtain data on average wages and economic data (e.g. production, exports). At the time the analysis was undertaken, the EOWC had an annual license to this service.
- [Censumapper.ca](#), an online/public domain platform displaying Canadian census data in map form.

2. Municipalities in Rural Eastern Ontario Manage \$12 Billion in Assets

2.1 Total Municipal Infrastructure Assets

At the end of 2021, municipalities in Rural Eastern Ontario held \$11.95 billion in capital assets --- valued at cost. These holdings are up by 37 per cent from 2011 (\$8.7 billion). Upper/single tier municipalities are responsible for roughly \$3.3 billion of this infrastructure (28% of the total) and lower tier municipalities (townships and small towns) are responsible for the rest: \$8.6 billion (72% of the total)

Capital Infrastructure Assets in Eastern Ontario (EOWC and EOMC)

Jurisdiction	Capital Assets (at cost) 2011 (in \$billion)	Capital Assets (at cost) 2021 (in \$billion)	Percentage Change (%)
Rural Eastern Ontario (EOWC)	\$ 8.7	\$11.9	36.8%
Separated Cities & Towns (EOMC)	\$ 5.3	\$ 7.8	47.2%
Total – Eastern Ontario	\$14.0	\$19.7	40.7%

Figure 1 – Capital Assets (Infrastructure) Held by Municipalities in Eastern Ontario Source: Financial Information Returns.

For comparative purposes: in 2021, the value of capital assets in the City of Ottawa was \$23.1 billion.

2.2 Municipal Infrastructure Assets By Type

These capital assets, commonly referred to as municipal infrastructure, cover the full range of services provided by local government and most of these services are mandated by the Province for delivery by municipalities. They are not optional. For municipal governments in Rural Eastern Ontario, these infrastructure assets include:

- *Transportation systems* (roads, bridges, sidewalks, lighting fixtures, guardrails, maintenance equipment, sand/salt facilities)
- *Environmental services* (such as water and sewer systems, water distribution systems, storm water systems, landfills, fleets for waste collection and recycling)
- *Community housing* (such as rent-geared-to-income facilities)
- *Health and Long-Term Care assets* (such as ambulances and homes for the aged)
- *Protection Services* (such as fire stations or emergency measures centres)
- *Community Facilities for Culture and Recreation* (such as community halls, libraries, arenas, theatres and parks)
- *Municipal buildings* (for administrative services and municipal governance).

Across Rural Eastern Ontario, the types of infrastructure that require the largest initial investment and the largest maintenance responsibilities tend to be transportation assets and environmental assets. For smaller municipalities especially, the cost of building/purchasing and maintaining any of these assets is a heavy burden.

Rural Eastern Ontario – Infrastructure Assets by Type/Function

Infrastructure Type/Function	Capital Assets at Cost (2021) (CC)	Book Value of Capital Assets (2021) (BV)	Net Value of Assets as % of Capital Cost	Simple Calculation Capital Infrastructure Deficit (CC-BV)
Transportation Serv.	6,671,689,152	3,127,924,676	47	\$3,543,764,476
Environmental Serv.	3,392,967,988	2,213,768,099	65	\$1,180,199,899
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Protection Services	411,612,885	217,372,810	53	\$ 194,240,075
General Government	404,359,013	259,851,265	64	\$ 144,507,748
Social Housing	356,858,607	149,686,827	42	\$ 207,171,780
Social and Family Serv.	253,195,470	130,420,245	52	\$ 122,775,225
Health Services	95,922,983	48,399,044	50	\$ 47,523,939
Planning & Develop.	59,720,878	39,531,441	66	\$ 20,189,437
Other	11,879,676	9,256,440	78	\$ 2,623,236
Total – EOWC Area	11,954,133,904	6,718,609,720	54	\$5,776,462,049

Figure 3 – Infrastructure Assets by Type/Function Source: Financial Information Returns (FIRs) for all municipalities in Rural Eastern Ontario

Rural and Urban Eastern Ontario (EOWC and EOMC Areas) – Infrastructure Assets by Type

Capital Assets by Type/Function (2021)	Rural Eastern Ontario (EOWC) Value at Cost (\$billion)	Separated Cities & Towns (EOMC) Value at Cost (\$billion)	Eastern Ontario Total (Value at Cost) (\$billion)
Transportation Services	\$6.7	\$2.7	\$9.4
Environmental Services	\$3.4	\$3.1	\$6.5
Recreation & Cultural	\$0.8	\$0.9	\$1.7
Protection Services	\$0.4	\$0.3	\$0.7
General Government	\$0.4	\$0.2	\$0.6
Social Housing	\$0.4	\$0.3	\$0.7
Social and Family Services	\$0.3	\$0.09	\$0.39
Health Services	\$0.09	\$0.02	\$0.11
Planning & Development	\$0.06	\$0.03	\$0.09
Other	\$0.01	\$0.1	\$0.11
Total	\$11.9	\$7.8	\$19.7

Figure 4 – Infrastructure Assets by Type/Function Source: Financial Information Returns (FIRs) for all municipalities in Eastern Ontario

2.3 Total Capital Investments Over the 2012-2021 Period

Annual capital investments by local governments in Eastern Ontario totalled \$4 billion since 2012 and have been highly variable in that period. The year with the lowest capital investment was 2012 with just \$301 million invested; the year with the highest investment was 2018 at \$479 million invested.

The highly variable investment pattern over the years suggests that municipalities act on infrastructure needs when they have the resources to do so, especially when there are provincial or federal cost-sharing programs available.

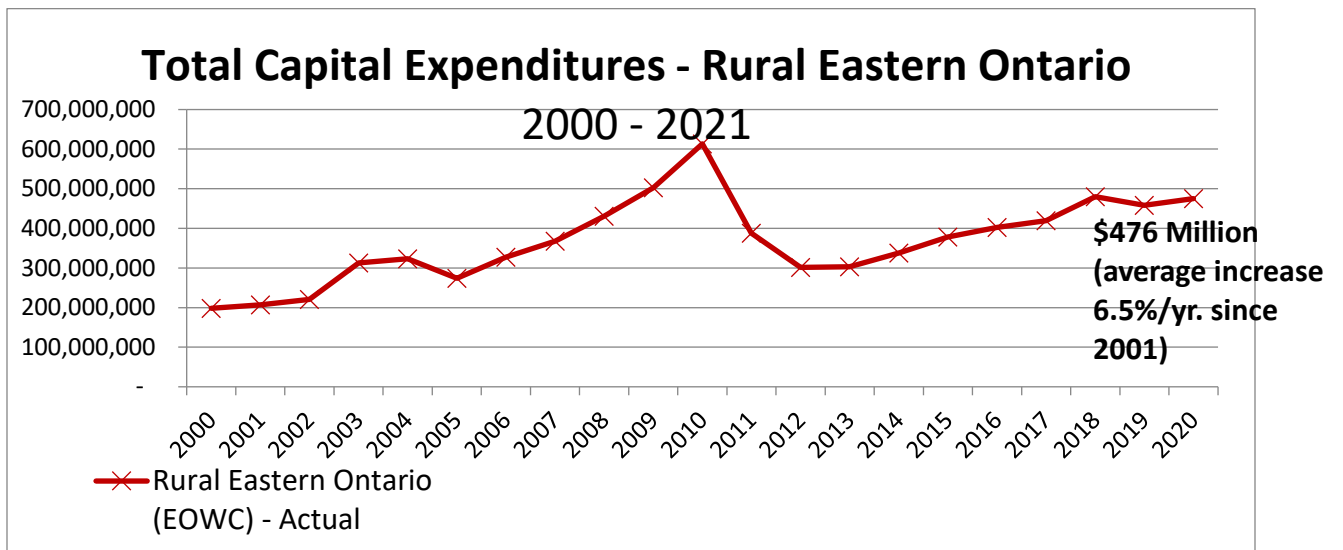


Figure 5 – Total Capital Expenditures – Rural Eastern Ontario 2000 to 2021 Source: Financial Information Returns (FIRs)

2.4 Operating Expenditures Rise by 29 Percent in 2012-2021 Period: Now at \$2.57 Billion

Total operating expenditures by municipal governments across Rural Eastern Ontario rose from \$1.988 billion in 2012 to **\$2.570** Billion in 2021, an increase of 29 per cent. Operating expenditures for separated cities and towns rose from \$1.1 billion to \$1.4 billion in the same period, an increase of 28 per cent. In total, municipal government operating expenses across Eastern Ontario were just under \$4 billion in 2021.

For comparative purposes, the total operating expenditures in 2012 in the City of Ottawa were \$2.9 billion and had risen by 34.4 percent to \$3.9 billion in 2021--- very similar to the Eastern Ontario total.

Total Capital and Operating Expenditures Across Eastern Ontario – 2012 and 2021

Jurisdiction	Total Operating Expenditures 2012 (\$ billion)	Total Operating Expenditures 2021 (\$ billion)	Percentage Change (2012-2021) %
Rural Eastern Ontario	\$1.998	\$2.57	29.3
Separated Cities	\$1.12	\$1.44	28.6
Total – Eastern Ontario	\$3.098	\$3.97	28.1
City of Ottawa	\$2.93	\$3.94	34.4

Figure 6 – Total Capital and Operating Expenditures of Municipal Governments in Eastern Ontario – by Rural Ontario, Separated Cities and Towns, and the City of Ottawa Source: Financial Information Returns SLC 52 9910 01

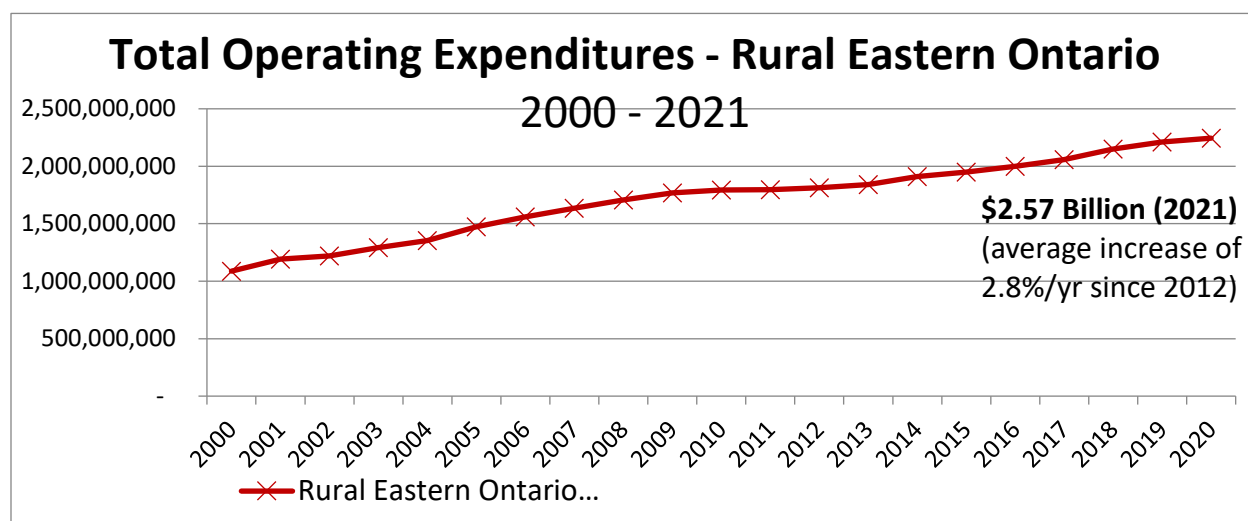


Figure 7 – Total Operating Expenditures – Rural Eastern Ontario 2000-2021 Source: Financial Information Returns

2.5 Municipal Governments in Rural Eastern Ontario Manage \$3.0 Billion A Year

When capital and operating costs are taken together, municipalities in Rural Eastern Ontario are managing just over \$3 billion a year in 2021. With separated cities and towns managing \$1.94 billion a year, the Eastern Ontario total is roughly \$5 billion a year.

For comparative purposes, the combined capital and operating expenditures of the City of Ottawa were \$6.39 billion, well above the Eastern Ontario total. The operating expenditures were similar (roughly \$4 billion) but the City of Ottawa invested three times as much in capital infrastructure (by 2021).

Total Capital and Operating Expenditures Managed by Municipal Governments (2021)

Jurisdiction	Capital Expenditures (2021) (\$ millions)	Operating Expenditures (2021) (\$ billions)	Total – Capital and Operating Expend. (2021) (\$ billions)
Rural Eastern Ontario	\$ 476	\$2.57	\$3.04
Separated Cities & Towns	\$ 393	\$1.55	\$1.94
Total – Eastern Ontario	\$ 869	\$4.12	\$4.98
City of Ottawa	\$2,643	\$3.94	\$6.39

Figure 8 – Total Capital and Operating Expenditures of Municipal Governments in Eastern Ontario – by Rural Ontario, Separated Cities and Towns, and the City of Ottawa Source: Financial Information Returns SLC 52 9910 07 LC 53 1020 01

2.6 Revisiting Capital Expenditure Patterns As Projected in 2013

As part of the 2013 Municipal Infrastructure Policy Paper, municipal capital investment patterns of the 2000-2011 period were analyzed to project what the future pattern of capital investments might look like between 2012 and 2020. Three different scenarios were used in the 2013 paper, providing an opportunity to assess which one was the most accurate (comparing projected to actual). This is especially important given the potential disruptive influence of the pandemic at the end of the projection period. The three scenarios utilized in 2013 were:

- Annual capital investments follow the pattern of 2000 to 2011 (long-term)
- Annual capital investments follow the pattern of 2007 to 2011 (medium-term)
- Annual capital investments follow the pattern of 2009 to 2011 (short-term)

As is shown in Figure 9, the most accurate projection of actual investments for 2012 to 2020 was the medium-term version (2007-2011). The actual capital expenditures tracked the four-year projection very closely. The longer-term projection significantly overestimated the actual capital investments for the 2012 to 2020 period, and the short-term projection significantly underestimated the actual capital investments that were in fact made in the 2012 to 2020 period.

Note that projected operating expenditures tracked the annual actuals for the 2000 to 2011 period quite well regardless of scenario, so the four-year scenario (from 2017 to 2021) was used to project capital expenditures through from 2021 to 2030. The results are shown in Figure 10.

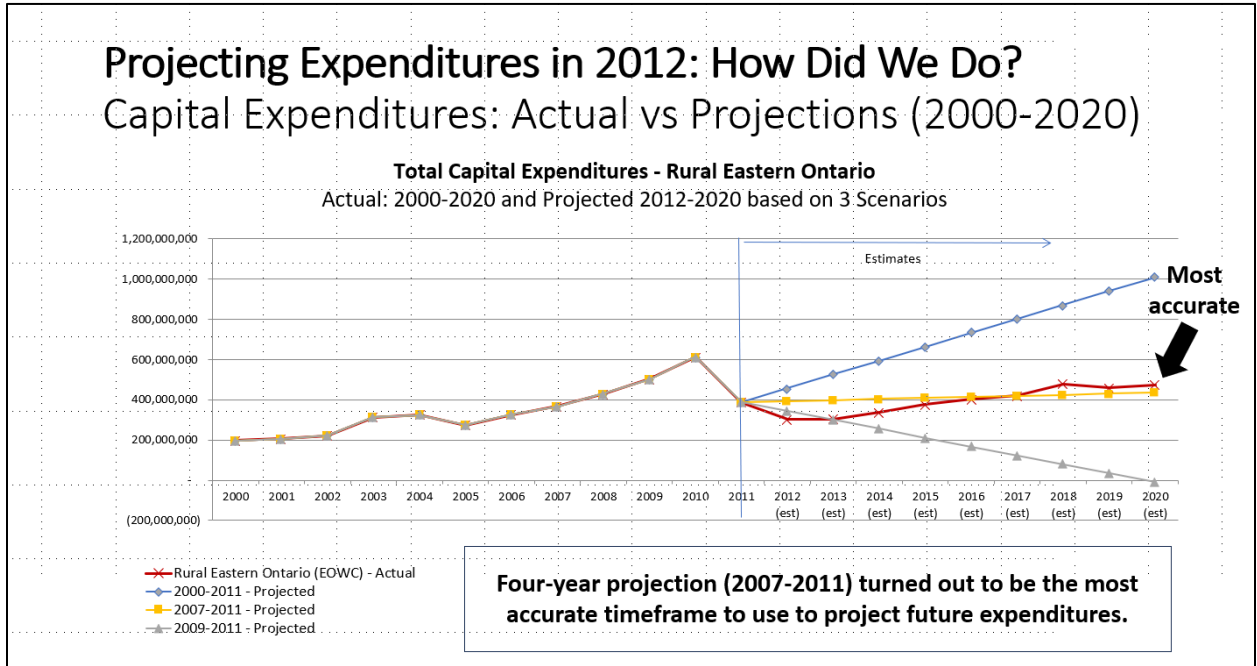


Figure 9 – Revisiting Projected Capital Expenditures for the 2000 to 2011 period Source: Financial Information Returns and 2013 Municipal Infrastructure Policy Paper

2.7 Capital Investments Projected to 2030

Using the average annual percentage change in capital expenditures derived from the 2007 to 2021 data, the annual capital expenditures from 2021 to 2030 were estimated.

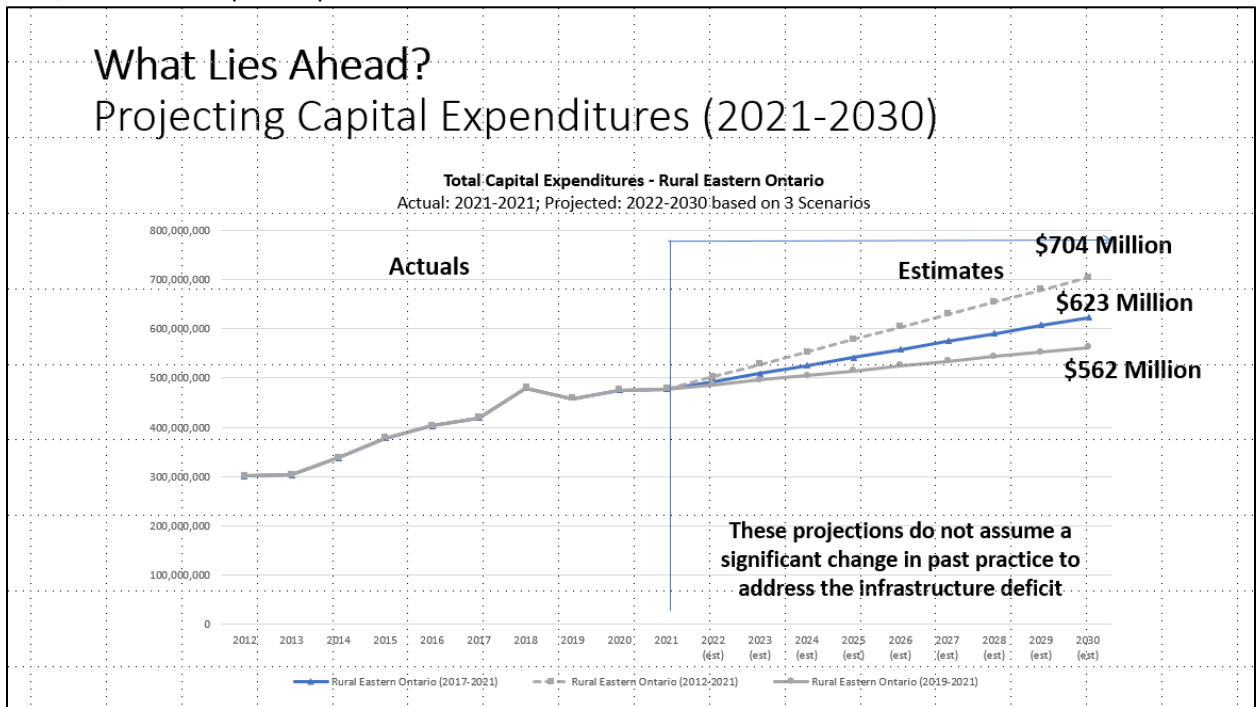


Figure 10 – Projected Annual Capital Expenditures from 2021 to 2030 Source Financial Information Returns

These projections suggest that EOWC municipalities will be making roughly \$623 million a year in capital infrastructure investments by the end of the decade (the mid-range estimate). It is possible that these annual investments might reach \$704 million a year by 2030 or climb more slowly to \$562 million. These estimates may maintain asset value in its current state but **none of the three projections will reach the investment levels required to address the current infrastructure deficit let alone address the region's growth prospects.**

3. Capital Expenditures by Asset Type

3.1 Transportation and Environmental Assets Account for 80 Percent of Capital Assets

The dominance of transportation assets in Rural Eastern Ontario’s infrastructure mix is clear: these assets account for 53 percent of the EOWC area’s assets. Environmental services assets are the second most dominant asset type at 27 percent. The two asset types combined account for just over 80 percent of total capital infrastructure assets. In other words, most of the new investment in infrastructure --- whether coming from municipalities or upper levels of government --- will need to be focused on these two asset types if further erosion in the state of these assets is to be avoided.

Infrastructure Assets across Rural Eastern Ontario, by Type/Function (2021)

Infrastructure Type/Function	Capital Assets at Cost (2021) (CC)	Book Value of Capital Assets (2021) (BV)	Percentage of Total Assets (2021) (\$)
Transportation Serv.	6,671,689,152	3,127,924,676	53.39
Environmental Serv.	3,392,967,988	2,213,768,099	27.15
Recreational & Culture	836,865,107	523,398,873	6.70
Protection Services	411,612,885	217,372,810	3.29
General Government	404,359,013	259,851,265	3.24
Social Housing	356,858,607	149,686,827	2.86
Social and Family Serv.	253,195,470	130,420,245	2.03
Health Services	95,922,983	48,399,044	0.77
Planning & Develop.	59,720,878	39,531,441	0.48
Other	11,879,676	9,256,440	0.10
Total – EOWC Area	11,954,133,904	6,718,609,720	100.00

Figure 10 - Source: Financial Information Returns (FIRs) for all municipalities in Rural Eastern Ontario

3.2 EOWC Municipalities Manage \$6.7 Billion in Transportation Assets

Municipalities in the EOWC area are managing \$6.7 billion in transportation assets. The book value of these assets (after depreciation is taken into account), leaves a capital infrastructure deficit of \$3.5 billion just for this asset class. Using this measure (assets at cost minus book value), transportation assets across the region have lost more of their value than any other asset class (book value of 46.9 %). With annual capital investments averaging roughly \$288 million a year, Rural Eastern Ontario’s municipalities will continue to lose ground on the state of their transportation infrastructure. Staying abreast of 2021 levels would require at least \$66 million a year invested across the region in addition to the current investments.

Separated cities and towns in Eastern Ontario are faring slightly better, having preserved 52.7 percent of the transportation asset values (\$857 million at cost). Taken together, Eastern Ontario is managing \$7.5 billion in transportation assets that have been amortized to 47.5 percent of their value at cost. There is now a combined capital infrastructure deficit of \$3.95 billion, most of which is in Rural Eastern Ontario.

Asset Values for Transportation Services – 2021

Jurisdiction	Asset Value at Cost (2021)	Book Value of Assets (2021)	Percentage of Asset Value Retained (2021)	Capital Infrastructure Deficit (2021)
Rural Eastern Ontario (EOWC)	6,671,689,152	3,127,924,676	46.9	3,543,764,476
Separ. Cities & Towns (EOMC)	857,764,795	452,122,281	52.7	405,642,514
Total – Eastern Ontario	7,529,453,947	3,580,046,957	47.5	3,949,406,990

Figure 11 – Asset Values for Transportation Services – 2021 Source: Financial Information Returns

Figure 12 suggests that annual capital investments may be trending up in Rural Eastern Ontario. This will not be confirmed until all 2022 and 2023 FIR data can be included in the analysis.

Capital Expenditures on Transportation Services – 2019-2022

Jurisdiction	Capital Expenditures 2019	Capital Expenditures 2020	Capital Expenditures 2021	Capital Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	244,348,737	277,446,333	277,690,431	353,081,338
Separ. Cities & Towns (EOMC)	129,839,961	122,480,757	140,369,628	277,753,614
Total – Eastern Ontario	374,188,698	399,927,090	418,060,060	630,834,952

Figure 12 – Capital Expenditures on Transportation Services – 2019 to 2022 (estimated) Source: Financial Information Returns with 2021 data carried forward into 2022 for those municipalities whose FIRs had not been posted at the time of analysis. For this reason, the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

In addition to annual capital investments, municipalities in Rural Eastern Ontario are spending more than \$500 million a year to operate and maintain transportation assets and services. Together with the operating expenditures of separated cities and towns (more than \$200 million a year), total operating expenditures on transportation assets and services across all of Eastern Ontario exceed \$770 million and may now be in the range of \$850 million.

Operating Expenditures on Transportation Services – 2019-2022

Jurisdiction	Operating Expenditures 2019	Operating Expenditures 2020	Operating Expenditures 2021	Operating Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	520,265,852	518,601,331	536,227,737	590,944,962
Separ. Cities & Towns (EOMC)	235,856,389	226,635,542	235,970,110	259,235,066
Total – Eastern Ontario	756,122,241	745,236,873	772,197,847	850,198,028

Figure 13 – Annual Operating Expenditures on Transportation Services – 2019 to 2022 (estimated) Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

Total Capital and Operating Expenditures on Transportation Services – 2019-2022

Jurisdiction	Cap & Oper. Expenditures 2019	Cap & Oper. Expenditures 2020	Cap & Oper. Expenditures 2021	Cap & Oper. Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	764,614,589	796,047,664	813,918,169	944,026,300
Separ. Cities & Towns (EOMC)	365,696,350	349,116,299	376,339,738	537,006,680
Total – Eastern Ontario	1,130,310,939	1,145,163,963	1,190,257,907	1,481,032,680

Figure 14 – Total Capital and Operating Expenditures on Transportation Services – 2019 to 2022 (estimated). Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

3.3 EOWC Municipalities Manage \$3.4 Billion in Environmental Assets

Municipalities in the EOWC area are managing \$3.4 billion in environmental services assets. The book value of these assets (after depreciation is taken into account), leaves a capital infrastructure deficit of \$1.2 billion just for this asset class. Using this measure (assets at cost minus book value), environmental services assets across the region have lost less of their value than most other asset class (retaining 65 % of value at cost). With annual capital investments varying between \$90 and \$130 million a year, Rural Eastern Ontario’s municipalities may be able to maintain the value of these assets but will not be well-positioned for either a significant asset failure or for growth. For some assets in this class (e.g. treatment plants or landfills), upfront capital costs are significant.

When environmental services assets for the EOMC area are taken into account (capital cost of \$1.1 billion and book value of \$764 million), investment in environmental assets in Eastern Ontario is \$4.5 billion, roughly three-quarters of which is in Rural Eastern Ontario.

The combined infrastructure deficit for this asset class is \$1.5 billion, of which two-thirds (\$1.2 billion) is in Rural Eastern Ontario.

Asset Values for Environmental Services Infrastructure – 2021

Jurisdiction	Asset Value at Cost (2021)	Book Value of Assets (2021)	Percentage of Asset Value Retained (2021)	Capital Infrastructure Deficit (2021)
Rural Eastern Ontario (EOWC)	3,392,967,998	2,212,768,099	65.2	1,180,199,899
Separ. Cities & Towns (EOMC)	1,136,361,572	764,888,572	67.3	371,473,000
Total – Eastern Ontario	4,529,329,570	2,977,656,671	65.7	1,551,672,999

Figure 15 – Asset Values for Environmental Services Infrastructure – 2021 Source: Financial Information Returns

Capital Expenditures on Environmental Services – 2019-2022

Jurisdiction	Capital Expenditures 2019	Capital Expenditures 2020	Capital Expenditures 2021	Capital Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	126,496,718	73,890,716	90,554,531	127,397,209
Separ. Cities & Towns (EOMC)	82,296,185	82,591,804	230,170,520	81,174,819
Total – Eastern Ontario	208,792,903	156,482,520	320,725,051	208,572,028

Figure 16 – Capital Expenditures on Environmental Services – 2019-2022 Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

Rural Eastern Ontario municipalities are spending roughly \$300 million a year to operate their environmental services. That number nearly doubles when expenditures by separated cities and towns (EOMC municipalities) are included. There may be an upward trend in these numbers in 2022 but confirmation should await integration of any outstanding Financial Information Returns for that year.

Taken together, municipalities in Rural Eastern Ontario are spending roughly \$400 million a year in capital and operating costs for environmental services, three-quarters of which is operating expenditures. EOWC member municipalities spend more each year to operate environmental services than do the EOMC member municipalities. For Eastern Ontario as a whole, municipal spending for environmental services likely tops \$600 million a year.

Operating Expenditures on Environmental Services – 2019-2022

Jurisdiction	Operating Expenditures 2019	Operating Expenditures 2020	Operating Expenditures 2021	Operating Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	293,798,957	307,649,375	306,201,139	321,365,780
Separ. Cities & Towns (EOMC)	238,595,063	222,479,444	240,143,881	253,614,069
Total – Eastern Ontario	532,394,020	530,128,819	546,345,020	600,905,035

Figure 17 – Operating Expenditures on Environmental Services 2019-2022. Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

Total Capital and Operating Expenditures on Environmental Services – 2019-2022

Jurisdiction	Cap & Oper. Expenditures 2019	Cap & Oper. Expenditures 2020	Cap & Oper. Expenditures 2021	Cap & Oper. Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	420,077,998	376,505,011	394,028,398	448,762,988
Separ. Cities & Towns (EOMC)	320,891,248	305,071,248	470,314,401	334,788,888
Total – Eastern Ontario	740,969,246	681,576,259	864,342,799	783,551,876

Figure 18 – Total Capital and Operating Expenditures on Environmental Services – 2019 to 2022 (estimated). Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

3.4 \$207 Million Infrastructure Deficit on Community Housing Assets

As of 2021, Rural Eastern Ontario municipalities have invested \$356 million in community (social) housing assets. With a book value of \$150 million, these assets are now worth only 42 percent of their original cost. This means there is a \$207 million infrastructure deficit for these units. These investments and their associated capital infrastructure deficit is larger than for the separated cities and towns in the region (\$277 million in value at cost with a \$134 million deficit).

Community housing in EOMC areas has retained significantly more of its value than in rural areas (59.5% compared to 41.9% respectively). Eastern Ontario as a whole has \$633 million invested in community housing with an associated capital infrastructure deficit of \$343 million.

Asset Values for Community (Social) Housing Services– 2021

Jurisdiction	Asset Value at Cost (2021)	Book Value of Assets (2021)	Percentage of Asset Value Retained (2021)	Capital Infrastructure Deficit (2021)
Rural Eastern Ontario (EOWC)	356,858,607	149,686,827	41.9	207,171,780
Separ. Cities & Towns (EOMC)	276,601,754	141,892,600	59.5	134,709,154
Total – Eastern Ontario	633,460,361	291,579,427	46.0	343,880,934

Figure 19 – Asset Values for Community (Social) Housing Services – 2021. Source: Financial Information Returns.

Whether considering the EOWC or EOMC areas, capital investments in Community (Social) Housing have been modest in the 2019 to 2022 period, totalling roughly \$25 million a year. This level of investment is a contributor to the low percentage of asset value retained (46%).

Capital Expenditures on Community (Social) Housing Services – 2019-2022

Jurisdiction	Capital Expenditures 2019	Capital Expenditures 2020	Capital Expenditures 2021	Capital Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	12,453,560	12,314,048	13,497,504	14,634,312
Separ. Cities & Towns (EOMC)	10,634,436	18,949,030	12,047,114	11,084,556
Total – Eastern Ontario	23,087,996	31,263,078	25,544,618	25,718,868

Figure 20 – Capital Expenditures on Community (Social) Housing Service – 2019-2022 Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

Operating Expenditures for Community Housing total roughly \$128 million a year in Rural Eastern Ontario municipalities with EOMC municipalities adding another \$106 million. This brings the total for Eastern Ontario to \$235 million a year. These expenditures appear to be trending upward but confirmation should await the completion of analysis of 2022 Financial Information Returns data.

Operating Expenditures on Community (Social) Housing Services – 2019-2022

Jurisdiction	Operating Expenditures 2019	Operating Expenditures 2020	Operating Expenditures 2021	Operating Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	111,877,667	120,369,501	132,143,692	128,745,315
Separ. Cities & Towns (EOMC)	88,088,245	90,730,061	97,380,066	106,903,555
Total – Eastern Ontario	199,965,912	211,099,562	229,523,758	235,648,870

Figure 21 – Annual Operating Expenditures for Community (Social) Housing – 2019 to 2022 (estimated). Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

The combined total of annual capital and operating expenditures on Community (Social) Housing Services has risen from \$223 million in 2019 to \$261 million by 2022 (estimated). Rural Eastern Ontario is responsible for 55 percent of the total.

Total Capital and Operating Expenditures on {Community} Housing Services – 2019-2022

Jurisdiction	Cap & Oper. Expenditures 2019	Cap & Oper. Expenditures 2020	Cap & Oper. Expenditures 2021	Cap & Oper. Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	124,331,227	132,683,549	145,641,196	143,379,627
Separ. Cities & Towns (EOMC)	98,722,681	109,679,091	109,427,180	117,988,111
Total – Eastern Ontario	223,053,908	242,362,640	255,068,376	261,367,738

Figure 22 – Total Capital and Operating Expenditures for Community (Social) Housing – 2019 to 2022 (estimated). Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

3.5 Operating Expenditures on Health and Emergency Services Outpace Capital Expenditures

Rural Eastern Ontario has health and emergency services assets valued (at cost) at \$96 million with a capital infrastructure deficit of \$48 million. These data will change significantly in the coming years as new long-term care capacity comes onstream across the EOWC area.

With the additional \$22 million in asset value from the EOMC area, total health and emergency services assets are roughly \$118 million in total with a \$57 million capital infrastructure deficit.

Asset Values for Health and Emergency Services – 2021

Jurisdiction	Asset Value at Cost (2021)	Book Value of Assets (2021)	Percentage of Asset Value Retained (2021)	Capital Infrastructure Deficit (2021)
Rural Eastern Ontario (EOWC)	\$ 95,922,983	\$ 48,399,044	50.5%	\$ 47,523,939
Separ. Cities & Towns (EOMC)	\$ 22,136,022	\$ 12,802,982	57.8%	\$ 9,333,040
Total – Eastern Ontario	\$ 118,059,005	\$ 61,202,026	51.8%	\$ 56,856,979

Figure 23 – Asset Values for Health and Emergency Services – 2021. Source: Financial Information Returns.

Capital spending on health and emergency services is relatively modest in relation to other asset classes: Rural Eastern Ontario invests between seven (7) and nine (9) million dollars a year on these services while EOMC area municipalities spend only one to two million a year. Taken together, Eastern Ontario’s capital investments range between eight and ten million a year.

Capital Expenditures on Health and Emergency Services – 2019-2022

Jurisdiction	Capital Expenditures 2019	Capital Expenditures 2020	Capital Expenditures 2021	Capital Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	\$ 9,217,908	\$ 7,234,269	\$ 9,490,864	\$ 7,003,225
Separ. Cities & Towns (EOMC)	\$ 1,149,412	\$ 1,311,099	\$ 1,884,848	\$ 1,146,003
Total – Eastern Ontario	\$10,367,320	\$ 8,545,368	\$11,375,712	\$ 8,149,228

Figure 24 – Capital Expenditures on Health and Emergency Services – 2019-2022 Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

For health and emergency services, operating expenditures are a much larger part of municipal budgets. Rural Eastern Ontario spending on these services is now over \$200 million a year and appears to be climbing. The same trend is evident for separated cities and towns, with their annual spending rising to more than \$80 million a year. Taken together, Eastern Ontario municipalities are now spending more than \$300 million a year on these services, with Rural Eastern Ontario being responsible for three-quarters of these expenditures (\$225 million of \$308 million).

Operating Expenditures on Health and Emergency Services – 2019-2022

Jurisdiction	Operating Expenditures 2019	Operating Expenditures 2020	Operating Expenditures 2021	Operating Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	\$185,043,621	\$203,705,244	\$225,290,429	\$238,662,451
Separ. Cities & Towns (EOMC)	\$ 69,080,816	\$ 74,043,275	\$ 82,810,435	\$ 83,175,881
Total – Eastern Ontario	\$254,124,437	\$277,748,519	\$308,100,864	\$321,838,332

Figure 25 – Operating Expenditures on Health and Emergency Services – 2019-2022 Source: Financial Information Returns. Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

Total Capital and Operating Expenditures on Health and Emergency Services – 2019-2022

Jurisdiction	Cap & Oper. Expenditures 2019	Cap & Oper. Expenditures 2020	Cap & Oper. Expenditures 2021	Cap & Oper. Expenditures 2022 (Est)
Rural Eastern Ontario (EOWC)	\$194,261,529	\$210,939,513	\$234,781,293	\$245,665,677
Separ. Cities & Towns (EOMC)	\$ 70,230,228	\$ 75,354,374	\$ 84,695,283	\$ 84,321,884
Total – Eastern Ontario	\$264,491,757	\$286,293,887	\$319,476,576	\$329,987,561

Figure 26 – Total Capital and Operating Expenditures on Health and Emergency Services – 2019 to 2022 (estimated). Note that the expenditure totals for 2022 must be considered estimates until all FIRs for that fiscal year are submitted and posted.

4 Municipal Capital Spending Not Keeping Up to Needs

4.1 Capital Infrastructure Deficit Continues to Grow, Now Approaching \$6 Billion

Between 2019 and 2021, Rural Eastern Ontario's investment in capital infrastructure grew by \$782 million (roughly seven percent over the two-year period). However, the capital infrastructure deficit for the EOWC area grew by 5.2 percent (roughly 2.6 percent per year). If a Current Replacement Value (two times the infrastructure deficit) is used, the capital infrastructure deficit of Rural Eastern Ontario would be \$11.6 billion --- a difference of \$575 million in two years.

Change in Capital Assets and Capital Infrastructure Deficit Between 2019 and 2021

Jurisdiction	Capital Assets at Cost (2019) (CC)	Capital Infrastructure Deficit (2019)	Capital Assets at Cost (2021) (CC)	Capital Infrastructure Deficit (2021)
Rural Eastern Ontario	\$11,171,932,273	\$5,487,424,171	\$11,954,133,904	\$5,776,462,049
Sep. Cities & Towns	\$ 8,218,922,600	\$3,057,279,020	\$ 7,852,048,309	\$3,360,302,393
Total – East. Ontario	\$19,587,938,804	\$8,544,703,191	\$19,806,182,213	\$9,136,764,442

Figure 27 – Change in Capital Assets and Capital Infrastructure Deficit Between 2019 and 2021 Source: Financial Information Returns

As Figure 28 shows, most of the infrastructure deficit for Rural Eastern Ontario --- 82 per cent --- is concentrated in Transportation Services and Environmental Services. These two components of the infrastructure deficit account for \$4.7 billion of the \$5.7 billion deficit total.

Breakout of Infrastructure Deficit by Infrastructure Type/Function

Infrastructure Type/Function	Capital Assets at Cost (2021) (CC)	Book Value of Capital Assets (2021) (BV)	Net Value of Assets as % of Capital Cost	Simple Calculation Capital Infrastructure Deficit (CC-BV)
Transportation Serv.	6,671,689,152	3,127,924,676	47	\$3,543,764,476
Environmental Serv.	3,392,967,988	2,213,768,099	65	\$1,180,199,899
Recreational & Culture	836,865,107	523,398,873	63	\$ 313,466,234
Protection Services	411,612,885	217,372,810	53	\$ 194,240,075
General Government	404,359,013	259,851,265	64	\$ 144,507,748
Social Housing	356,858,607	149,686,827	42	\$ 207,171,780
Social and Family Serv.	253,195,470	130,420,245	52	\$ 122,775,225
Health Services	95,922,983	48,399,044	50	\$ 47,523,939
Planning & Develop.	59,720,878	39,531,441	66	\$ 20,189,437
Other	11,879,676	9,256,440	78	\$ 2,623,236
Total – EOWC Area	11,954,133,904	6,718,609,720	54	\$5,776,462,049

Figure 28 – Breakout of Infrastructure Deficit by Infrastructure Type/Function Source: Financial Information Returns (FIRs) for all municipalities in Rural Eastern Ontario

4.2 Significant Additional Investment is Required to Address the Deficit

Closing the capital investment gap for *current* infrastructure would require an *additional* minimum annual investment of \$578 million a year (beyond the 10-year average of \$403 million), assuming the deficit is to be eliminated in 10 years and the \$403 million investment level is maintained. This is more than double the current levels of municipal investment, that would have to start now. Note that this estimate does not include any capital investment for growth. **\$980 Million in Annual Capital Investments is Required.**

4.3 The Ontario Financial Accountability Office Has Developed Infrastructure Deficit Estimates

In 2021, the provincial Financial Accountability Office (FAO) [released a report](#) containing its infrastructure deficit calculations (described as the backlog) for all 444 Ontario municipalities. The FAO's methodology is based on an estimate of backlog using Current Replacement Value (CRV) and current condition reports of municipal infrastructure, endeavouring to estimate the cost to bring all municipal assets into a state of good repair. The FAO used 2020 as the baseline year for their analysis.

For EOWC purposes, the highlights of the FAO analysis are that:

- The CRV of Ontario's municipal infrastructure is estimated to be \$484 billion, of which municipal roads and bridges account for \$171 billion (35%). Municipal water infrastructure has a CRV of \$299 billion (47%).
- The total municipal infrastructure deficit is estimated at \$45 to \$59 billion (a range is used because the FAO was not able to get complete information on all assets from all municipalities).
- The total "Eastern Ontario" backlog is \$10.1 Billion, which is between 17 and 22 percent of the province-wide total. See the map on the following page to view the area defined as Eastern Ontario. It is comprised of three (3) economic regions. It is not clear how much of the backlog is attributed to the City of Ottawa or to the District of Muskoka. As a result, what share of the \$10.1 billion is attributed to the EOWC or EOMC areas is also unclear.
- The backlog in the Kingston-Pembroke economic region is estimated to be \$3.1 billion
- The backlog in the Muskoka-Kawartha economic region is estimated to be \$2.1 billion
- The backlog in the Ottawa economic region is \$4.9 billion. (This region includes the United Counties of Prescott and Russell, Lanark, Leeds and Grenville and Stormont, Dundas and Glengarry as well as separated cities and towns within those counties).

For comparative purposes, the FAO calculates the backlog for the City of Toronto at \$15.4 billion.

The FAO's methodology may lead to significantly different estimates of the capital infrastructure deficit for EOWC municipalities. The EOWC has typically calculated the difference between asset values "at cost" and book value (after asset depreciation has been taken into account).

As part of the EOWC's strategic plan implementation and its ongoing advocacy with the Province of Ontario, there is merit in meeting with the FAO to compare data sets and to ensure that municipalities in Rural Eastern Ontario are fully represented in the FAO's analysis.

FAO Infrastructure Backlog as a Share of Current Replacement Value, by Economic Region

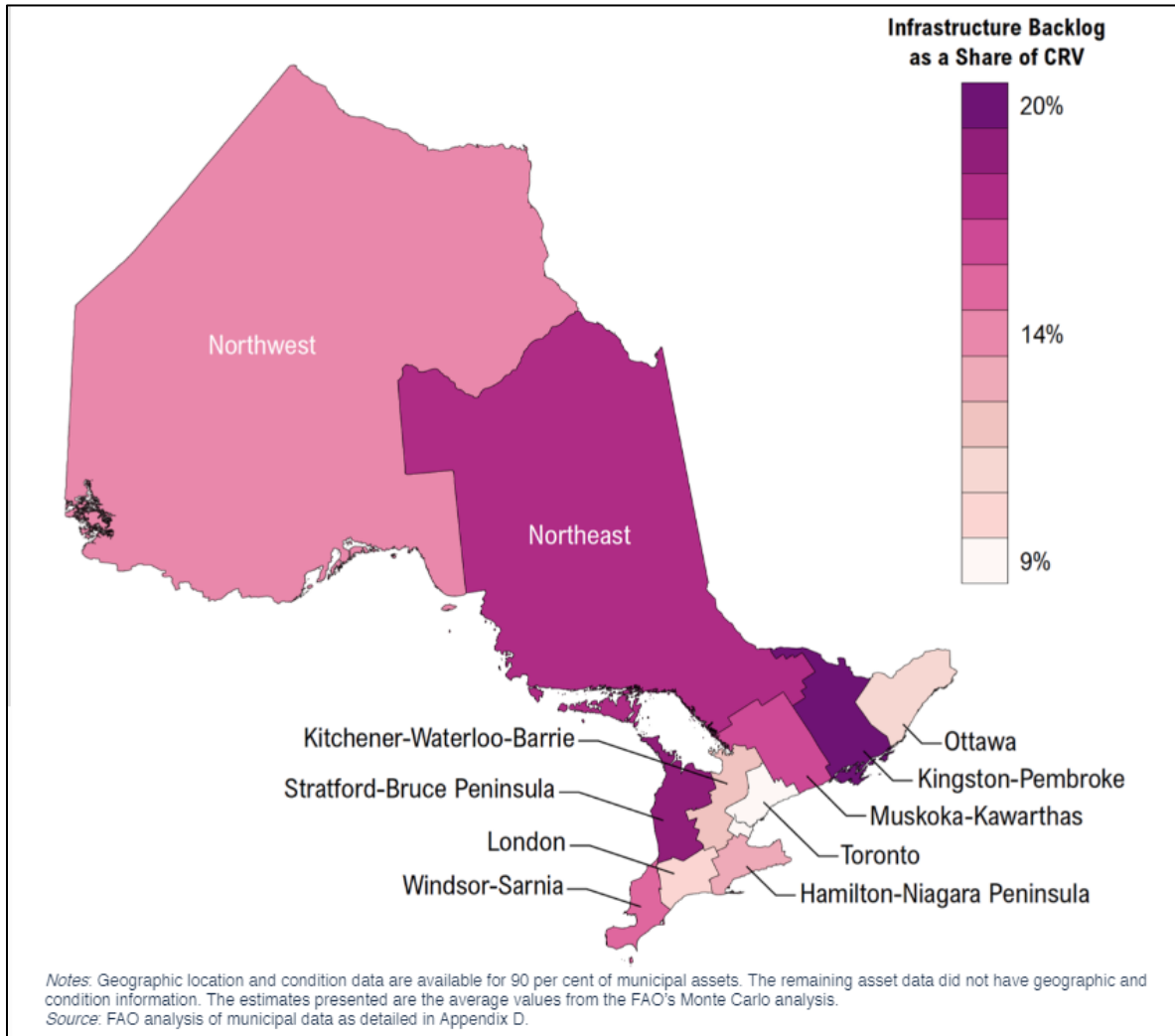


Figure 29 – Infrastructure Backlog as a Share of Current Replacement Value (CRV) as calculated by the Financial Accountability Office of Ontario

5 Rural Municipalities Have Limited Debt Capacity to Finance Infrastructure

5.1 Municipal Governments in Rural Eastern Ontario Are Carrying \$641 Million in Debt

Municipalities in Rural Eastern Ontario are carrying roughly \$641 million debt (2021). Debt levels have risen by 10.5% over the past decade, significantly less than the debt now carried by the separated cities and towns (\$837 million). Across the region (Eastern Ontario), municipalities are carrying \$1.478 billion in debt.

Current Debt Burden (2021)

Jurisdiction	Debt Burden (2012) (\$ millions)	Debt Burden (2021) (\$ millions)	Percentage Change 2012 to 2021 (%)
Rural Eastern Ontario	\$ 580	\$ 641	10.5
Separated Cities & Towns	\$ 465	\$ 837	80.0
Total – Eastern Ontario	\$1,045	\$1,478	41.4
City of Ottawa	\$1,775	\$3,432	93.4

Figure 30 – Total Debt Burden for Municipal Governments in Eastern Ontario – by Rural Ontario, Separated Cities and Towns, and the City of Ottawa. Source: Financial Information Returns SLC 9910 01

Municipal Debt Burden: 2012 to 2022

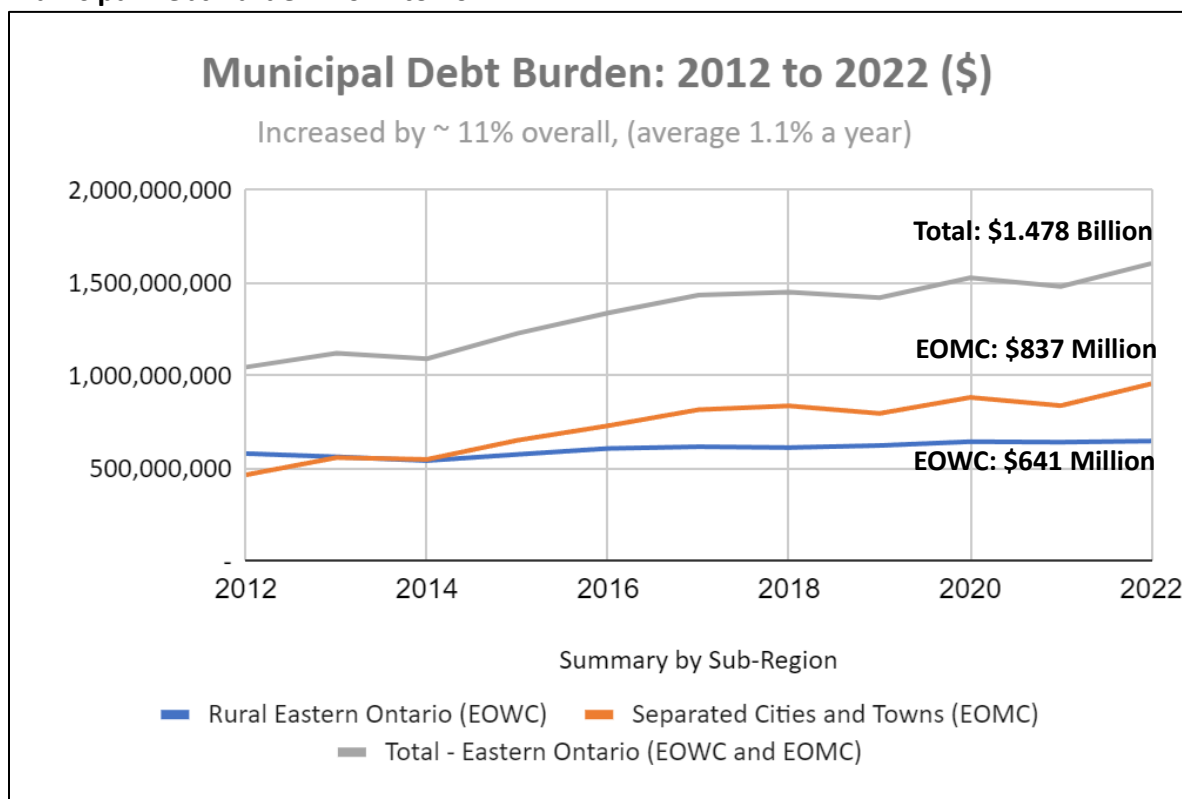


Figure 31 – Municipal Debt burden by year, 2012 to 2022, broken out by EOWC and EOMC Source: Financial Information Returns

As part of the EOWC's strategic plan implementation and ongoing advocacy, debt burden data should be updated to at least the 2023 FIR basis.

5.2 Debt Servicing Costs for EOWC Area Municipalities Total \$84 Million a Year

From \$70 million in 2012 to \$84 million in 2022 (estimate), debt servicing costs for Rural Eastern Ontario municipalities have risen by 20 per cent. Across the separated cities and towns (EOMC), debt servicing costs have risen from \$50 million to \$89 million in the same timeframe, an increase of 78 per cent over the same timeframe.

Total Debt Servicing Costs – 2012 to 2022

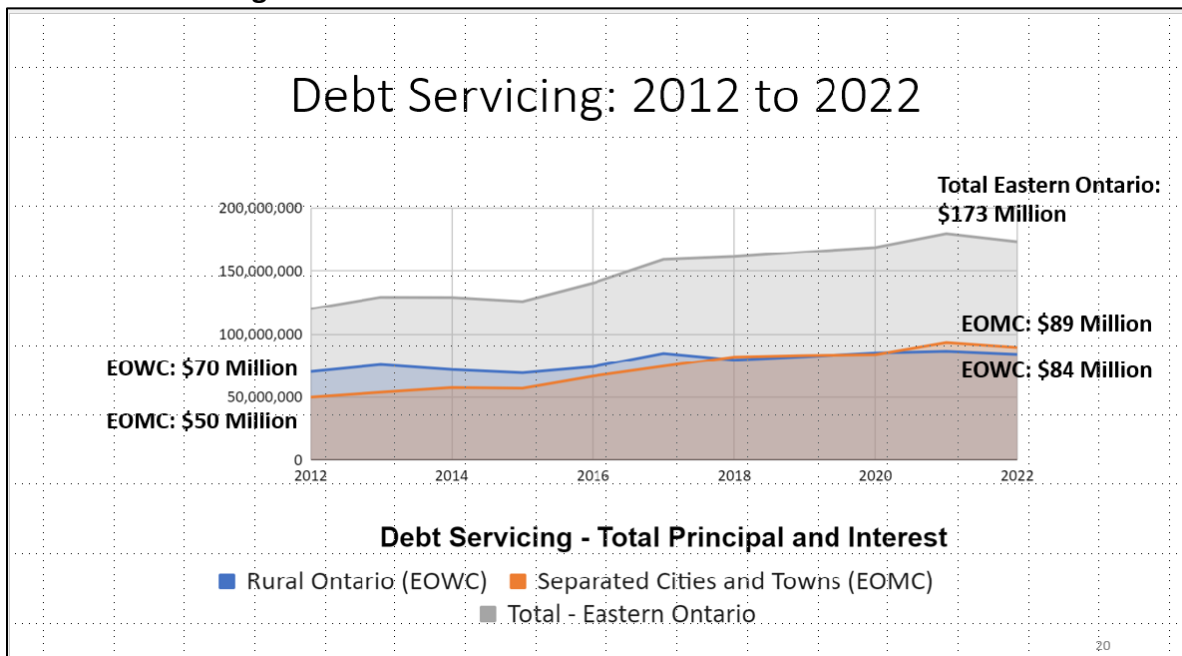


Figure 32 – Total Debt Servicing Costs from 2012 to 2022, broken out by EOWC and EOMC Source: Financial Information Returns

As shown in Figure 32, of the total debt servicing costs, principal repayment comprises \$63 million a year for municipalities that are part of the EOWC membership. Interest is \$21 million a year.

For EOMC municipalities, principal repayment is \$63 million a year, with interest payments of \$29 million making up the balance.

Upper/single tier municipalities (counties, cities and towns) are carrying \$37.2 million of the debt servicing total, while lower tiers within counties are paying \$63.4 million of the debt servicing load.

Debt Servicing Costs – Breakout by Interest and Principal Repayments

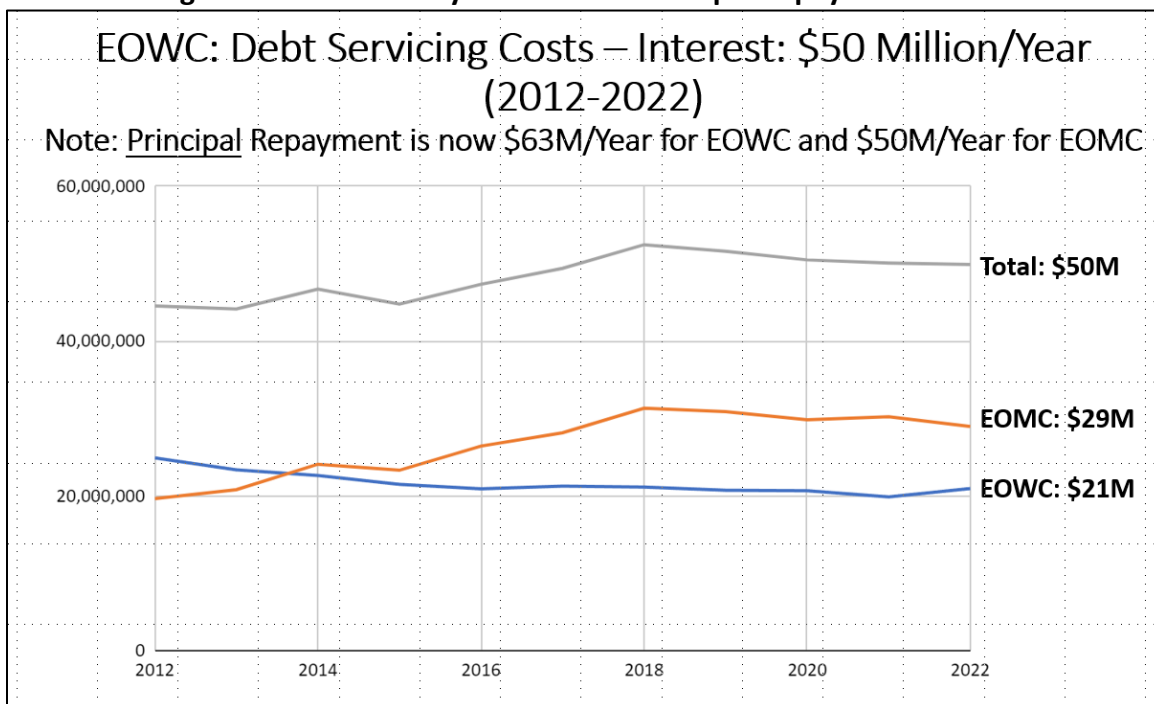


Figure 33 – Debt Servicing Costs – Breakout by Interest and Principal Repayment, by EOWC and EOMC. Source: Financial Information Returns.

5.3 Rural Eastern Ontario Municipalities Have a \$352 Million in Annual Debt Repayment Limit

Based on the Province of Ontario formula for calculating municipalities’ annual debt servicing limits, the total estimated annual repayment limit for municipalities in the EOWC area is \$352 million, of which \$100 million was being used in 2021. As a result, EOWC municipalities have an additional \$251.6 million in available debt servicing capacity. However, these municipalities must be able to generate sufficient property tax revenues to cover the interest and principal repayments each year. This is a challenge for municipalities with relatively small tax bases.

Annual Debt Capacity for Eastern Ontario Municipalities (2021)

Sub-Region	Net Revenues (2021)	25% of Net Revenues (2021)	Estimated Annual Repayment Limit	Over/Under Estimated Annual Limit (2021)
Rural Eastern Ontario (EOWC)	\$1,736,937,495	\$434,234,374	\$352,252,830	\$251,600,717
Separated Cities and Towns (EOMC)	\$1,181,274,989	\$295,318,747	\$199,630,729	\$106,191,436
Total - Eastern Ontario (EOWC and EOMC)	\$2,918,212,484	\$729,553,121	\$551,883,560	\$357,792.154

Figure 34 – Annual Debt Capacity for Eastern Ontario municipalities, broken out by EOWC and EOMC Source: Financial Information Returns

5.4 Scenario Analysis Demonstrates Need for Upper Level Government Support for Infrastructure

In a separate analysis conducted by the EOWC, three scenarios were examined in order to understand what degree of increase in Own Purpose Revenues (OPR) would be required to generate sufficient revenue to sustain municipal infrastructure *without support from other levels of government*. The three scenarios were:

- Scenario 1: Increase OPR by five (5) percent more revenue each year, for the next eight (8) years, ending in 2032-2033.
- Scenario 2: Increase OPR by ten (10) percent in ‘year one’, then implement four (4) percent increases annually for the next seven (7) years
- Scenario 3: Increase OPR by three (3) percent a year for eight years (3% was the average annual rate of increase in the 2012-2022 period)

The percentage change in annual Own Purposes Revenues by 2032 for each scenario would be:

- Scenario 1: 63% increase
- Scenario 2: 57% increase
- Scenario 3: 34% increase

Based on an infrastructure deficit of \$6 billion, the only scenarios that would allow sufficient investment to address it are Scenarios 1 and 2, but only if applied over a period of 20 years. This is because the property tax base is limited.

A five percent increase, applied to a \$1.27 billion OPR total *across all of Rural Eastern Ontario*, only generates \$64 million in the first year. In a *single city*, such as Ottawa or Toronto, a five percent increase generates between \$90 and \$235 million in the first year. This is because their OPR is so much larger than individual municipalities in Rural Eastern Ontario. In fact, it is larger than the OPR for all 103 municipalities that are part of the EOWC area.

Revenue Generation Potential from Municipalities with Varying Sizes of Own Purpose Revenues

Jurisdiction	Own Purpose Revenues from Property Taxation (2021)	Annual Revenue Generated by a five (5) percent increase in OPR
City of Toronto	\$4,704,939,344	\$235 million
City of Ottawa	\$1,850,956,478	\$ 93 million
Rural Eastern Ontario	\$1,270,082,850	\$ 64 million

Figure 35 – Examples of the revenue generation potential from municipalities with varying sizes of Own Purpose Revenues. Source: Financial Information Returns

6 Rural Eastern Ontario Had \$621 Million in Reserves in 2022

6.1 Rural Eastern Ontario increased reserves by more than nine percent since 2012

Municipalities in Rural Eastern Ontario increased their total reserves from \$266 million to \$590 million between 2012 and 2021 --- a compound annual growth rate of 9.11 percent. While this policy more than doubled reserves (an additional \$324 million), it is still insufficient to address a capital infrastructure deficit that requires nearly \$600 million in *additional* resources each year for the next decade. This is another example of the challenges faced by municipalities with small tax bases; a nine per cent tax increase may seem ample but applied to a small tax base, the additional reserves that can be set aside are modest.

By comparison, the separated cities and towns (EOMC members) increased their total reserves by 7.44 percent, going from \$535 million to \$1.0 billion, adding \$465 to their total reserves by 2021. Across Eastern Ontario, total reserves are \$1.6 billion.

Increase in Total Reserves 2012 to 2021

Jurisdiction	Total Reserves (2012)	Total Reserves (2021)	Compound Annual Growth Rate (2012-2021)
Rural Eastern Ontario (EOWC)	\$266,458,635	\$590,391,541	9.11%
Separated Cities and Towns (EOMC)	\$535,693,651	\$1,022,234,744	7.44%
Total – Eastern Ontario	\$805,152,286	\$1,612,626,285	8.02%

Figure 36 – Increase in Total Reserves 2012 to 2021, broken out by EOWC and EOMC Source: Financial Information Returns

7. Recommendations

The EOWC requests that the Federal Government and the Ontario Government assist in addressing the growing infrastructure deficit:

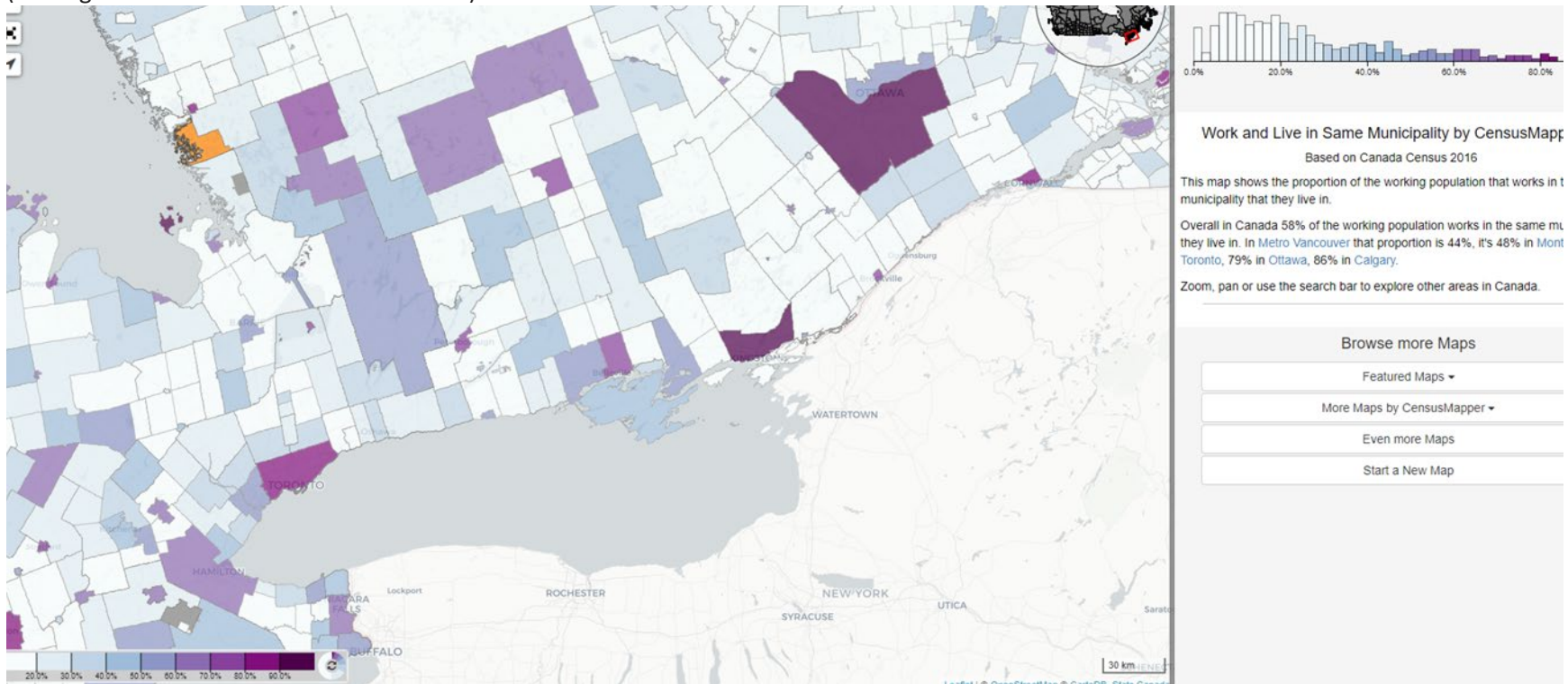
1. Ensure eligibility for programs and funding fits both rural and small urban circumstances.
2. Federal and provincial funding programs are often unpredictable and irregular in their timing. Predictable, non-competitive, permanent infrastructure funding stream is needed.
 - Determine the increase to the Ontario Community Infrastructure Fund (OCIF) that is necessary to enable rural Eastern Ontario's municipalities to maintain their infrastructure, then allocate provincial funds to do so.
3. Investing in housing goes hand-in-hand with investing in institution, commercial or industrial (ICI) land uses. Take an integrated approach to infrastructure investments, that also considers Return on Investment that is shared by communities and the Province.
4. Reevaluate debt financing options for small municipalities with limited resources to raise funds, ensuring that funds are directed towards infrastructure development rather than servicing debt interest. Specific considerations should include higher upfront/advance contributions as well as the contribution to GDP of "local" investments to provincial priorities.
5. Work with the provincial Financial Accountability Office to ensure that missing/incomplete data that would make their infrastructure reports more robust is provided, that the evolution in asset management plans is reflected in both municipal and FAO work, and that the FAO and the EOWC compare their methodologies for estimating infrastructure deficits/backlogs.

8. Appendices

Long Commutes Put Extra Stress on Transportation Infrastructure

The map below shows the percentage of people within a municipality (census subdivision) who live and work in the same CSD. The lighter colours correspond to lower percentages; in other words, **in lighter coloured municipalities, a larger share of workers is commuting across municipal boundaries for work, making greater use of roads (and bridges) and incurring higher costs to do so.** The darker colours, primarily the urban areas, have smaller percentages of people commuting to neighbouring CSDs.

(The legend is in the lower left-hand corner).



Source: censumapper.ca

Summary of Original Recommendations (from 2013 report)

Municipal Infrastructure – EOWC

- Develop and implement a regional economic development strategy
- Create a regional infrastructure task force
- Create a transportation infrastructure renewal network
 - Draft “terms of reference” provided in Appendix
- Complete Asset Management Plans

Municipal Infrastructure – Province

- Permanent, predictable non-competitive infrastructure fund
 - Detailed design provided by EOWC in Appendix
- Implement social services upload
- Compensation for lands with assessment constraints (ex. PIL for Crown Lands)

Note: EOWC also made a major [submission](#) to the Provincial Infrastructure Consultations in 2015

Social (Community) Housing – EOWC

- Region-wise economic development strategy
- Work with Service Managers on more cost-effective ways to meet community housing needs
 - Different operational models
- Support AMO and FCM advocacy work re: housing
 - EOWC support for AMO principles
 - Sustainable funding not from property tax base
- Share analysis and recommendation with EOMC

Note: EOWC also asked for reinstatement of federal Home Renovation Tax Credit (energy efficiency) and provincial Home Renovation Tax Credit (seniors and co-resident family members)

Social (Community) Housing – Province

- Comprehensive National Housing Strategy
- Greater local/service area flexibility
 - Interpretation of/changes: “prescribed units”
 - Mix of public and private housing options - same project
 - Best mix of types of accommodation
 - Allocate available housing units to those on waiting list likely to be successful in specific types of units available
- Contain the growing costs for program and service delivery, especially by using information technology
- Policy flexibility on provincial gas tax funds for supportive transit
- Interest-free loans for upgrading existing housing stock
- Increase Rent-Geared-To-Income subsidy levels
- Consultation when legislation, regulations and policies change.

Key Findings – Municipal Infrastructure

- Transportation services and Environmental Services continue to dominate the infrastructure agenda
- Capital investments continue to be highly variable while operating costs are on an upward trending straight line
- EOWC and its members:
 - Now manage \$12 billion in physical assets (up from \$8.7 billion in 2011)
 - Cash flow: \$1.69 billion in Total Operating Revenue (up from \$1.07 billion in 2011)
 - Have an infrastructure deficit of \$5.99 billion in 2021 (up from \$3.74 billion in 2011)
 - Need to add \$600 million a year in capital investments for the next 10 years to maintain existing assets and address deficit (up from \$686 million/year in 2011)
 - Are using about 28 percent of total debt capacity
 - Continue to experience many of the same fiscal and affordability challenges as existed in 2013-2014.