

Submission to the Standing Committee on General Government

Bill 6, Infrastructure for Jobs and Prosperity Act, 2014

May 25, 2015

Association of
Municipalities
of Ontario

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Introduction

Governments provide public infrastructure to facilitate economic development, allow goods to get to market and people to their jobs, improve social connections and cultural outcomes. In this way, infrastructure is, and has been, the on ramp to a modern and prosperous economy.

Planning for how these facilities will be funded and what will be built in advance is wise. It is also what municipal governments, provinces/territories and the federal government have been doing as standard practice for years. However, formalizing that process through articulating infrastructure planning principles and additional predictability in planning is helpful to everyone. It allows businesses and municipalities to plan and develop their economies and communities in a way that best benefits the public and private interests of residents.

But, getting the balance right is critical. Municipalities have made great strides in asset management planning over the last few years and have made use of the provincial funding available since 2011. Expanding the provincial planning horizon to account for municipal and other priorities can be a helpful step for the municipal sector. However, any additional requirements on the sector for asset management planning could become burdensome and upset some of the capacity that local governments have built voluntarily and will continue to build in asset management. As a result, AMO supports the Bill as it is written, without amendment.

Municipalities and Infrastructure Funding

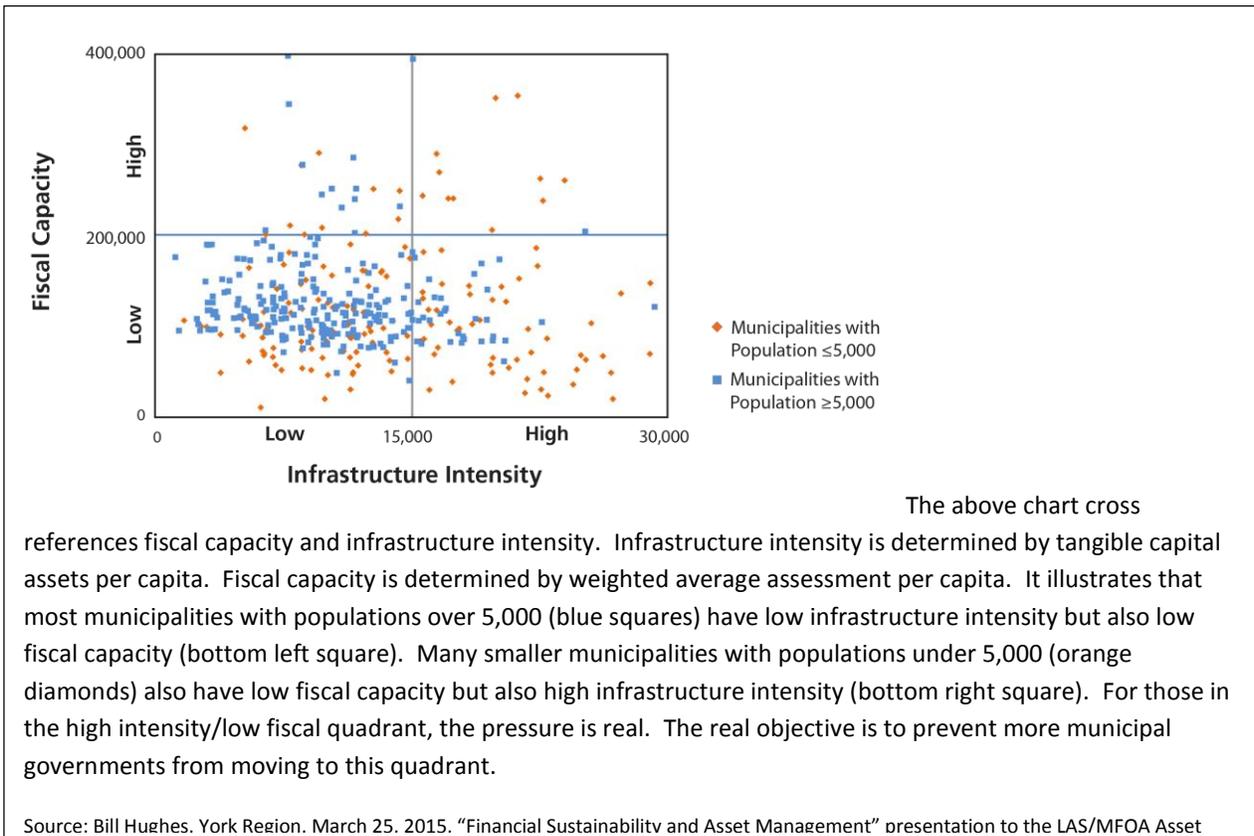
Ontario's 444 municipal governments own and operate more infrastructure than any other order of government in the province. These facilities make up our road and transit networks, bridges connecting our communities, water and wastewater systems ensuring clean, safe drinking water for our residents as well as our community and recreation centres, and housing for our needy residents amongst others. These systems safeguard our health and environment and facilitate our economic growth. They also are the building blocks of our quality of life in Ontario and a major reason our residents choose their communities.

Over the years, municipalities have assumed a greater role in managing and delivering infrastructure with highways, water systems and social housing facilities transferred from the provincial government. For example, in 1961 local governments in the

province owned 38 per cent of infrastructure systems. By 2005, that had shifted to 67 per cent¹.

In 2008, municipalities spent nearly \$4 billion annually on average to build and maintain our core infrastructure systems. However, that same year, the provincial government reported through the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR) that municipal governments in Ontario had an annual gap in infrastructure spending of \$60 billion spread over ten years. This can't be made up by municipal governments alone.

The infrastructure gap is shared by municipalities across the province from large to small. However, some municipalities have a larger population and more prosperous economies to support their infrastructure finance needs. Infrastructure intensity is a key consideration. For municipalities with few residents, but little infrastructure, the funding gap may be manageable. For those with many residents, high growth and high needs, while support is necessary particularly for major projects, the intensity is also more manageable. For those communities that have high needs relative to their populations or economic activity, more ongoing support is needed (see chart).



¹ Statistics Canada 2007. Canadian Economic Observer. Does not include provincial health and education infrastructure. However, the figure shows an instructive ownership trend.

This shows that infrastructure funding assumes a different function in different communities. Some municipalities need funds to expand their systems to accommodate growth. Some need to replace and repair what they already have, but are challenged to afford it.

Also, municipal circumstances may change impacting affordability. In some cases municipalities have been transferred assets like roads, bridges, housing and water systems that affects the amount of infrastructure a population is managing. In other cases, a community may lose a major employer compromising its tax base. In still other cases, a municipality may suffer population decline, leaving fewer people to support the systems already in place. All of these can affect affordability. One final challenge is the way we account for infrastructure costs now as opposed to previously. More and more, it is necessary to account for the full lifecycle cost of a system (all costs for building, maintenance, major rehabilitation and decommissioning). This last change is why municipalities and the provincial and federal governments are turning to asset management planning.

Municipal Decision Making and Asset Management Planning

Municipalities have always aligned infrastructure funding plans with the needs of residents and businesses. Economic, cultural and social development are the main reasons for public investment in these systems in the first place. Because municipal governments are accountable to citizens through their councils, decisions to invest in infrastructure are based on the needs, desires and aspirations of local communities and the ability to pay for the costs of these systems as a matter of course.

Even though these considerations have always been part of the infrastructure decision making process in local governments, there is always room to improve comprehensiveness and transparency of the process. In the last few years Ontario's municipal governments have made great strides in asset management planning as a decision tool for councils. The Ontario government's municipal asset management support, guidelines and requirement for funding requests to be supported by an asset management plan have been fundamental in this shift. However, the sector has had a strong voluntary response to incorporating asset management in decision making and organizations like AMO have been working with our partners to increase the capacity for municipal officials in this discipline (see appendix).

Asset management planning is a continuous improvement process by its nature. It is never finished while a municipality or government owns an asset. Importantly, municipal capacity for asset management has developed alongside an appreciation that plans must be updated and data continually refined. AMO is now working with its

partner organizations to improve the understanding of municipal councils, as decision makers, of how to use asset management planning in council decisions and how financial planning is part and parcel of the process. This will continue to be a part of AMO's training and education offerings in the future.

As municipalities refine their plans, it is likely the infrastructure gap may change and may even become more manageable. A recent study conducted for the Canada Gas Tax Program in Ontario looked at lifecycle asset management work in 93 municipalities focusing on road and bridge assets. The study found that assets with condition data were performing better than age related analysis alone would suggest. Meaning that municipal work to manage and maintain assets was having a positive impact on their performance and extending their useful life².

Requirements of Bill 6

The *Infrastructure for Jobs and Prosperity Act, 2014* sets out requirements that apply to the broader public sector, including municipalities and also to the provincial government for its own infrastructure needs. The legislation will require the Province and broader public sector, including municipalities to consider certain principles as they make decisions respecting infrastructure. It also requires:

- that the provincial government create a long term infrastructure plan for provincially owned or partially owned assets that considers infrastructure requirements for at least ten years in the future, to table it within three years of the passage of the legislation and update it every five years;
- an inventory of infrastructure, value, age and condition as well as needed improvements or expansion are set out in the contents of the provincial plan;
- the Province to consider prioritizing assets that are included in comprehensive provincial and municipal plans and strategies;
- the government to involve architects in the design of certain assets such as bridges, highways, transit stations, museums above a certain threshold; and
- that the Province engages apprentices on certain projects.

The *Act* lists a number of principles for infrastructure planning that apply to municipalities. These include:

- investments should take a long term view and be mindful of economic and demographic trends;
- accounting for applicable budgets and fiscal plans;

² <http://www.amo.on.ca/AMO-Content/Gas-Tax/News-Gas-Tax/Roads-and-Bridges-Study.aspx>

- clearly identified priorities;
- continued provision of core health and education services;
- promoting economic competitiveness, productivity, job creation and training;
- fostering innovation;
- evidence based and transparent planning and investment;
- being mindful of planning policy statements and provincial growth plans, water sustainability plans, the Lake Simcoe Protection Plan and transportation plans adopted by Metrolinx.

Taken together, the principles for infrastructure planning and the requirement for the Province to develop a long term plan are helpful to municipal governments and our residents. These requirements codify existing practices within the provincial and municipal government sectors and provide local governments with an understanding of how investment decisions will be made. This can help municipal governments to identify and align local priorities with provincial priorities to better coordinate investments to the benefit of residents and businesses.

However, the intent of aligning planning with demographic and economic trends could be seen by some as almost impossible without predictable assistance. Ontario municipalities range in population from Toronto's 2.6 million residents to Cockburn Island's 0. In the province, 270 municipalities (60 per cent) have 10,000 and fewer residents. If considering demographic and economic trends in the province allows better participation of residents in all of our communities in the modern economy and builds wider prosperity, then it is a worthwhile principle. This is because Ontario's economy is connected and will be more prosperous if that prosperity is built on a bigger base of urban, small, rural and northern communities. Therefore, the aspirations of residents in all of these municipalities must be accounted for and built into these plans. If plans only account for and intensify current economic circumstances, Ontario's economy and our culture, stand to lose.

Conclusion

AMO supports the Bill as it is written and believes that codifying the principles of asset management used by the Province and municipal governments and having a long term provincial infrastructure plan are positive developments.

Municipalities will have some reservations about the wording of the Bill and regarding the need for economic development and demographic trends to represent the province as a whole and the need to use infrastructure to support local and regional economies across the province.

Finally, AMO points to the voluntary work the sector has done to incorporate more rigorous asset management planning in decision making at the local government level and the deepening of capacity as more data is added to plans, plans are refined and staff and councillors develop a greater facility in using them.

Appendix

Municipal Asset Management Activities

Since the 2012 provincial asset management requirement and funding the municipal sector has made significant advances in asset management planning as a tool to guide decision making on municipal infrastructure decisions.

AMO, LAS and municipal staff associations have developed resources and training opportunities to improve municipal capacity to complete plans. These efforts have been aimed at making asset management planning ‘standard operating procedure’. The following provides an overview of the work AMO and other municipal associations have undertaken to improve municipal asset management capacity.

<i>Association of Municipalities of Ontario</i>	
<i>Local Authority Services (LAS)</i>	<ul style="list-style-type: none"> • LAS in a partnership with MFOA delivered an Asset Management Symposium in March 2014, which was well attended and was very successful in providing necessary feedback on future training needs for related training programs. • A 2015 Symposium, which was sold out, was held on March 24 and 25 based on needs identified in 2014. • LAS/MFOA 2014 investment workshops focused on the use of the One Investment Program to meet Asset Management Planning/infrastructure needs.
<i>Federal Gas Tax Fund</i>	<ul style="list-style-type: none"> • The new federal Gas Tax Fund Agreement requires municipalities to complete asset management plans as laid down in the provincial guide by the end of 2016 for all municipal assets. • By 2018 and 2023, municipalities will have to demonstrate progress on how these plans are informing decision making. • To determine a baseline, AMO’s Gas Tax program management team created an Asset Management survey that every municipality completed as part of 2013 reporting. • AMO recently released a Case Study on the State of Municipal Roads and Bridges (the largest asset class owned by municipalities and the largest investment category of Gas Tax dollars).

	<ul style="list-style-type: none"> • AMO, through the federal Gas Tax program, has initiated a research study on municipal use of debt and reserves to fund capital investments to inform the financial plan component of asset management. This work will inform the sector’s future Asset Management work. • Federal Gas Tax program staff will also participate in eight LAS Town Hall events to speak with staff and elected officials about federal gas tax and asset management requirements this year.
<p><i>Ontario Municipal Knowledge Network (OMKN)</i></p>	<ul style="list-style-type: none"> • With support from the Ministry of Municipal Affairs and Housing, the Ontario Municipal Knowledge Network created a municipal councillor toolkit for asset management planning. • The toolkit will be presented to delegates during the 2015 AMO conference to raise awareness of asset management goals and practices and considerations for elected officials. The session will be recorded for on demand access through the OMKN website.
<p><i>AMO Asset Management Courses</i></p>	<ul style="list-style-type: none"> • The Councillor Training 101 curriculum was revised to focus elected officials on Asset Management Planning as an essential tool in Council decision making – training has been delivered to over 315 councillors over the winter of 2015 with more training planned through to the summer of 2015. • An online course “Cover Your Assets” is to be released by April 1, 2015 targeted at elected officials. It provides the basics to understanding why asset management is important and key questions to ask municipal staff to ensure it is supporting municipal operations. • Additional training on specific topics under asset management are being developed for later in 2015.
<p><i>Municipal Finance Officers Association of Ontario (MFOA)</i></p>	<ul style="list-style-type: none"> • MFOA has been actively involved in Asset Management training for municipal staff and has partnered with various organizations to deliver this including the Canadian Network of Asset Managers (CNAM), Association of Municipal Managers Clerks Treasurers of Ontario (AMCTO) and the Ontario Good Roads Association (OGRA). • MFOA developed tip sheets for municipal staff involved in asset management planning.

<i>Ontario Good Roads Association (OGRA)</i>	<ul style="list-style-type: none">• OGRA currently runs Municipal Data Works and the Academy for Municipal Asset Management which is targeted to engineering/works staff that manage municipal assets. It also oversees the designation of “Accredited Asset Manager”.
<i>Ontario Coalition for Sustainable Infrastructure (OCSI)</i>	<ul style="list-style-type: none">• Established in 2006, the OCSI is a coalition of associations including the Municipal Engineers Association, Ontario Public Works Association, Ontario Water Works Association, Water Environment Association of Ontario, OGRA and MFOA. In 2014 OCSI delivered a workshop targeted to improving municipal asset management planning. Another is planned for 2015.