Association of Municipalities of Ontario

BACKGROUNDER

August 2026

Infrastructure

AMO Position

- Municipalities need to invest more than $250 billion in infrastructure over the next decade to accommodate growth, manage climate change, and keep existing assets in good repair.
- Municipalities continue to fund about 80% of local infrastructure costs, and the federal and provincial share of funding is shrinking.
- Municipalities' ability to pay for infrastructure is constrained by the growth limitations of property taxes. Ontario already has the second-highest property taxes per capita in Canada, while the Ontario municipal share of government revenue is at a 14-year low – only 10.2% in 2024.
- This problem has compounded in recent years with mandatory development charge reductions, freezes and deferrals, which shift more of the infrastructure costs onto municipalities and existing taxpayers.
- Structural change is needed in how we pay for infrastructure. Shifting these costs onto the property tax base isn't a fiscally sustainable or affordable solution
- Ontario municipalities need long-term, predictable, and substantial infrastructure funding that supports the needs of all communities across Ontario

Overview

- Ontario municipalities own infrastructure vital to economic productivity, public health, social and cultural activity, and quality of life. These include:
  - roads and bridges
  - water and wastewater
  - stormwater
  - recreation facilities and community centres
  - social housing
  - long-term care homes
  - transit, and many others
- Many of Ontario's systems were built between the 1950s and 1970s and must be renewed or expanded to serve a growing population and support economic growth.
- While municipalities own and manage more infrastructure than other levels of government combined, they have the fewest resources and tools, such as user fees, property taxes, and DCs, to help fund asset management needs and growth.
- The gap between municipal revenues and infrastructure needs remains substantial. Ontario municipalities continue to fund about 80% of infrastructure costs, despite sharply rising construction costs and growing demand for housing-enabling infrastructure.[1] Raising property taxes or user fees can't be the only answer. Such increases disproportionately impact low and fixed-income households and could compromise critical municipal services.
- Through AMO and municipal advocacy, the federal and provincial governments have announced a series of housing-enabling infrastructure grants. These investments are a great start to building new communities – but infrastructure funding must increase significantly to meet the need, now and in the long term.
- The Ontario Community Infrastructure Fund is critical for rural, small and northern municipalities, but its $400 million annual allocation ends this year with no clarity on future funding. AMO calls on the province to sustain this funding at current levels to enable municipalities to maintain the roads and drinking water and other infrastructure services Ontarians depend on every day.
- Trade disruptions and tariffs continue to drive up the cost of municipal infrastructure projects. Over the past

six years, construction costs have increased by 86%. To effectively deliver on capital plans in the face of these rising costs, municipalities require long-term, predictable, and substantial infrastructure funding.
- AMO is developing first-of-a-kind, province-wide research on future municipal infrastructure needs and whether communities can actually afford it. The findings will help guide smarter, long-term investments and serve as a springboard for innovative funding, financing and policy solutions that support municipal sustainability and prosperity.

Development Charges (DC)
- DCs have been a cornerstone of Ontario's municipal fiscal framework for decades, providing a crucial mechanism to fund the infrastructure necessary to support housing and growth.
- To get more shovels in the ground faster and to address Ontario's housing crisis, the provincial government has implemented several DC reforms since 2019.
- The most recent policy initiative, introduced on June 1, 2026, is the Development Charge Reduction Program (DCRP) to encourage DC reductions of up to 50% over 3 years. Participation in this provincial-federal program is voluntary and municipalities opting into the program receive infrastructure funding, that's up to 90% of eligible project costs, in exchange for DC cuts.
- Last year, the province collaborated with AMO and the Ontario Home Builders' Association to modernize and standardize DCs. These changes provide the clarity and consistency needed to reduce municipal-developer friction, clearing the path for housing and economic growth.
- These changes have also exacerbated the need for stable, long-term infrastructure funding to offset municipal revenue losses from reduced development charges.[2]

Water & Wastewater
- Municipal Services Corporations (MSCs) offer another way to finance and operate water and wastewater infrastructure.
- MSCs can offer some benefits, particularly for communities who want to increase borrowing capacity or work across municipal boundaries to realize economies of scale in finance and operations. However, the approach is not a silver bullet. MSCs present risks and trade-offs, and they only work in certain contexts.
- To guard against risks, water/wastewater systems and assets must remain publicly owned, be voluntary for municipalities, and continue to access DCs or "connection charges" to avoid unsustainable pressure on user rates. To implement MSCs, a comprehensive, phased plan to manage the complex transition from a financial, operational and governance perspective would be needed.

Key Facts
- Ontario municipalities own and operate almost $1 trillion of public infrastructure.[3]
- Over the next 10 years, municipalities are planning for more than $250 billion in capital expenditures – with around $100 billion related to growth.
- Municipal governments' share of government tax revenue has continued to steadily decline after peaking in 2010. At the end of 2024, only 10 cents of every tax dollar collected went to municipalities.
- DC reserve funds are mainly committed to specific projects.[4] Reserve funds are heavily regulated by the province, dictating minimum allocations/expenditures and uses.
- Every dollar in infrastructure spending creates an additional six dollars in economic activity.[5]

Other Resources and Reports
- AMO's 2026 Pre-Budget Submission, calling for long-term investments in municipal infrastructure and social housing, informed by a new macroeconomic analysis report that AMO commissioned from Oxford Economics
- A Framework for Navigating the Development Charge Reduction Program
- 2024 Housing Targets in Ontario
- AMO-MFOA Water & Wastewater Municipal Service Corporation Backgrounder

For more information: Contact the AMO Media Team at media@amo.on.ca

[1] AMO, 2026, Pre-Budget Submission: Partnering to Protect Ontario's Communities
[2] AMO, 2026, Funding Development Charge Reductions under the Canada-Ontario Partnership to Build & Bill 98 Building Homes and Improving Transportation Infrastructure Act

[3] AMO, 2026, Asset Management Outcomes
[4] Financial Accountability Office of Ontario. https://www.fao-on.org/en/Blog/Publications/municipal-finances-2020
[5] The Centre for Spatial Economics, 2017, The Economic Benefits of Public Infrastructure Spending in Ontario