Submission to the Standing Committee on Finance and Economic Affairs

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About OGRA: The Ontario Good Roads Association (OGRA) has advanced the infrastructure and transportation interests of its members through training, advocacy, and services since 1894. OGRA advances the collective interests of municipal transportation and public works departments through policy analysis, assessment of legislation and consultation with partners and stakeholders. The association provides affordable and accessible education and training services and promotes leadership with regard to infrastructure asset management. OGRA also develops plans, programs and partnerships for the delivery of services that meet the needs of municipal transportation and public works departments, while recognizing the contribution of the corporate sector.

The OGRA Board of Directors is comprised of 15 municipal representatives from across the province. These positions are allocated as follows:

- 4 from Northern Ontario
- 3 from Eastern Ontario
- 2 from City of Toronto
- 3 from Southcentral Ontario
- 3 from Southwestern Ontario

Half of the Board Members are senior municipal staff, while the other half are elected municipal officials. This gives the organization a unique perspective on municipal issues. OGRA currently has over 420 municipal members.

Ontario municipalities have long been saddled with a fiscal system that is not responsive to their needs. This is most apparent when a municipality tries to build and responsibly maintain its infrastructure. To date, the province has not pursued meaningful change to address municipal fiscal sustainability. While the provincial and federal governments have stepped up with more infrastructure funding in recent years, the funding level is still insufficient. OGRA has calculated a municipal infrastructure deficit of approximately $34 billion in the road, bridge, and culvert asset classes alone – pre-COVID. If the province is serious about getting the economy started and helping municipalities build and maintain their infrastructure, new methods of funding or significant changes to existing programs must be considered.

Asset management and infrastructure funding have long been top priorities for OGRA and its members. Without the proper support from other orders of government, municipalities cannot properly fund and maintain their infrastructure assets as they do not have the fiscal tools to do so. Municipalities receive only $0.08 of every tax dollar with $0.92 going to federal, provincial, and territorial governments all while owning 60% of the country's infrastructure.[1]

The financial impact of COVID-19 to municipal governments has been well-documented. With limited revenue generating tools and an array of services to provide, Ontario municipalities are in a particularly precarious position. Municipalities without substantial reserves will find themselves pushing up against the statutory limit on current borrowing spelled out in the *Municipal Act*. They may also find themselves with a very large operating deficit for 2020.

This should come as no surprise – municipalities in Ontario are reliant on 19th Century tools to manage 21st Century problems. Unfortunately, this issue predates the COVID-19 pandemic and has only been

[1] CUPE (2014). *Funding a better future: Progressive revenue sources for Canada's cities and towns*. Retrieved from: https://cupe.ca/sites/cupe/files/funding_a_better_future_0.pdf

exacerbated by it. The recent announcement of a municipal “bailout” by the provincial and federal governments is welcome news, but municipalities across the province are awaiting details.

While the federal and provincial governments have increased infrastructure spending in recent years, an OGRA study has identified a municipal infrastructure deficit in Ontario of $34 billion in the road, bridge, and culvert asset class alone.[2] This number was calculated prior to the economic devastation of the COVID-19 pandemic. Unsurprisingly, this makes the municipal the municipal fiscal situation even more dire. In difficult times governments at all levels must make difficult decisions. As municipalities do not have the legislative authority to run multi-year operating deficits, these decisions are even harder. For municipal infrastructure this means delaying routine maintenance, moving money from capital budgets to offset lost revenues, and for some even deviating from asset management plans.

According to a recent report by the Residential and Civil Construction Alliance of Ontario (RCCAO) and the Canadian Centre for Economic Analysis (CANCEA), state of good repair (SOGR) type projects are more labour intensive than building new infrastructure.[3] If funding SOGR projects will be more effective in aiding the economic recovery, municipalities have no shortage of them to nominate. These types of projects promote the responsible stewardship of existing assets which saves taxpayers money in the long run.

OGRA recently surveyed its membership on what they would like to see in a potential COVID-19 infrastructure stimulus program as well as their experience with the Investing in Canada Infrastructure Program (ICIP). Here’s what a few of them had to say:

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[2] Smith, James (2020). *Ontario’s Municipal Road Infrastructure Deficit*. Retrieved from: http://ograconference.ca/wp-content/uploads/2020/03/James-Smith-presentation.pdf

[3] RCCAO; CANCEA (2020). Navigating the COVID-19 Economic Shock. Retrieved from: https://rccao.com/research/files/How-Infrastructure-Investments-Will-Facilitate-Growth-June-2020.pdf

"It would be great if more or all of the ICIP applications could be approved, and it would be helpful to put more application reviewers onto that program so the approvals process would be faster."

"Previous stimulus programs have required projects to be incremental – that is challenging, as most projects that are shovel-ready already have funding and projects that would be incremental aren't shovel-ready. Minimize other criteria and allow municipalities to determine the most critical projects for their own situations."

"Any funding program should use existing funding programs to distribute the funds, i.e. OCIF or Gas Tax. This will be the easiest and quickest for the municipalities. The municipalities are familiar with these programs."

All respondents indicated they had applied for the ICIP and many were critical of how slow the approval process has been. Many indicated that they are still awaiting a response on their application or that they had their funding requests rejected. All respondents indicated they had shovel-ready projects. Those surveyed were asked which type of infrastructure projects they would prioritize in the immediate post-COVID period. The top three responses were roads/bridges, water/wastewater, and social/cultural.

If the province is serious about getting shovels in the ground quickly to stimulate the economy, then approvals through application-based programs such as the ICIP must happen quicker. In many parts of the province the construction season is already nearing its end point. If there is going to be an increase in infrastructure funding for municipalities, OGRA recommends the government provide "top up" funding through formula-based programs such as the Ontario Community Infrastructure Fund (OCIF) or the Gas Tax Fund.

In early August, the federal government announced the COVID-19 Resilience funding stream that accelerates spending under the ICIP. Through this stream, some municipal projects will be eligible to receive 80% of their funding from the federal government.

Infrastructure Canada claims that the streamlining of some administrative requirements will lead to more timely reviews and approvals.[4] Unfortunately, none of the priorities mentioned by respondents to OGRA's survey (roads/bridges, water/wastewater, and social/cultural) are eligible. As the federal and provincial governments must agree to terms before these changes are implemented, OGRA recommends that the Government of Ontario request that such projects be included in the COVID-19 Resilience funding stream as they will help municipal budgets and aid in the recovery of local economies.

The municipal fiscal system was not working for municipalities prior to the COVID-19. The pandemic has only made it worse. As no meaningful change to municipal fiscal sustainability is being pursued by the province, more funding must flow for infrastructure. With a $34 billion municipal infrastructure deficit in the road, bridge, and culvert asset class alone, it is no surprise that municipalities have long lists of unfunded projects. The province must act to get municipalities the funding they need in order to truly restart local economies.

Recommendations

1. That the Government of Ontario provide "top up" funding for municipal infrastructure through formula-based programs such as the Ontario Community Infrastructure Fund or the Gas Tax Fund.

[4] Government of Canada (2020). *Investing in COVID-19 Community Resilience*. Retrieved from: https://www.infrastructure.gc.ca/plan/covid-19-resilience-eng.html

2. That the Government of Ontario request the Government of Canada to include roads/bridge, water/wastewater, and social/cultural infrastructure projects in the COVID-19 Resilience funding stream.