

**NEW MUNICIPAL INFRASTRUCTURE PROGRAM**

**Consultation Workbook Submission**

---

***Township of Perth South***

***Rebecca Clothier***

***Treasurer/Deputy Clerk***

***519-271-0619 ext. 227***

***[rclothier@perthsouth.ca](mailto:rclothier@perthsouth.ca)***

***3191 Road 122***

***St. Pauls, ON N0M 1K0***

**1. What are your municipality/region's infrastructure challenges and how are you addressing them?**

The Township of Perth South is a rural municipality covering 393.03 sq. kms located in the provincial western region with a population density of 10.2. The land is primarily agricultural with no urban area within the Township's boundaries; 100% of the population is living in rural or small communities. The 2011 census reports the population and households as 3,993 and 1,393 respectively. The Township has experienced a decline in population over the years. A cumulative population decrease of 8% and a household decrease of 5% has occurred between the 1996 and 2011 Census. A declining population is of great concern to the Township as it has many different negative consequences. These unfortunate circumstances are further complicated by the lack of growth on the existing small tax base. For example, the assessments on many of the roads in the municipality are insufficient to cover the costs associated with roads and bridges and discussions regarding the removal of assets from service, such as bridges, have already taken place. The Township continues to seek creative and long-term solutions that will address the sustainability challenges.

Beginning in 2009, municipalities in Ontario were required to capitalize all assets and report these assets in the annual audited financial statements. This new reporting requirement required municipalities to inventory and determine historical values for all assets. The Provincial 10-year infrastructure plan, Building Together, focuses on core infrastructure described as roads, bridges, water, wastewater and social housing. When identifying infrastructure challenges faced by the Township, it is critical to understand that municipalities are responsible for many other assets essential for the operations of the municipality including, but not limited to: vehicles, machinery & equipment, landfills, as well as recreation and other types of facilities. All municipal assets, whether core assets or not, require the same planned maintenance, regular condition assessment, and planned replacement, including the method of financing. As of December 31, 2011 the total net book value of all assets was \$24,481,654, which represents \$17,575 per household and the core infrastructure assets net book value is \$20,726,696, which represents \$14,879 per household. An analysis of the Township asset data shows that the 39% of total assets have reached the end of their useful life and an additional 18% have 10 years or less of useful life remaining. In 2011 the total capital investment in core infrastructure was \$924 per household, and in 2012 was \$990 per household.

The Township has hired a consultant to develop an Asset Management Plan (AMP) and asset software has been purchased to maintain and update the AMP in the future. The AMP will enhance current asset management practices by bringing together the multiple plans (i.e. roads, bridges, water) currently used into one comprehensive plan. In addition, budget software has also been purchased which will allow the Township to budget for a 5 year time frame. These purchases were funded with both provincial and municipal investments. The AMP is expected to be completed in the coming months and will be used in the application for future infrastructure funding through the Municipal Infrastructure Investment Initiative (MIII).

Another challenge faced by the Township is the continued growth in the scale of farm operations. As the scale of farms continues to grow, so does the size and weight of farm equipment that travels on the roads in the Township. Existing roads have not been built to withstand the weight of this equipment and, as a result, roads are failing prior to reaching their expected useful life. The impact on the road infrastructure is disproportionate to the population base.

The Township is currently experiencing a decrease in both Federal and Provincial Funding which will impact the Township's ability to fund the critical work that needs to be completed on existing roads and bridges. The Township needs to have access to stable funding and projects need to be funded based on the needs as identified in the asset management plan, and not based on being shovel ready.

The Ontario Municipal Partnership Fund (OMPF) has either reduced or froze funding levels to all municipalities in Ontario. The Township of Perth South has had its OMPF funding frozen; however, this still places additional strain on existing revenue sources. For example, police costs continue to rise with no associated increase in OMPF funding to assist in covering these costs as there has been in the past. Another example is the shortfall realized in the Farmland and Managed Forest Assessment Grant Component included in the OMPF funding. With the recent jump in assessment values of farmland in Perth County and surrounding area, the Township is realizing a shortfall between the Farm Property Class Tax Rate Program taxation revenue and the Farmland and Managed Forest Assessment Grant Component of the OMPF funding. For example, in 2012 farm and managed forest taxation represented 24% of the total taxation revenue. After the 2012 province wide reassessment, farm and managed forest taxation revenue represented 27% of total taxation revenue. As a further example, in 2012 the Farmland and Managed Forest Component of the OMPF grant was calculated as \$1,987,000. That same calculation in 2013, after the 2012 reassessment as resulting tax shift, would have been calculated at \$2,248,706; an amount greater than our total OMPF funding for 2013. With OMPF funding levels frozen, other tax classes, including the residential tax class, are left to fund the shortfall.

The Township does not receive any provincial gas tax funding as this funding is only granted for transit related expenditures.

The Federal Government announced that it would begin indexing the Gas Tax Fund beginning in 2014; however, because the indexing is subject to a 'rounding', the fund will only increase in 2016 and 2018. The Province of Ontario has had its portion of 2014 Gas Tax funding reduced by \$1.8 million as the growth in Ontario was less than the national average. This has resulted in a redistribution of funding among the provinces. This reduction of funding impacts the allocation of funding amounts to Ontario municipalities. The Township of Perth South will experience a further reduction in funding due to the declining population. The Association of Municipalities of Ontario (AMO) has indicated that municipalities that have experience growth of less than 5.6%,

the average growth in Ontario, or have had a decline in population, will have a reduction in the amount of Gas Tax Funding.

The Township has saved a significant amount by approving the budget earlier in the year and issuing tender documents early in the spring when construction costs are at their lowest. In addition, savings have been found through economies of scale by partnering with neighbouring municipalities in joint tenders for construction work. This has allowed the Township to maximize infrastructure work each year.

The maintaining of water and wastewater systems is a priority to ensure the health and safety of all Ontario residents; however, it is felt that these types of assets should be removed from the New Municipal Infrastructure Program as these are user pay systems and therefore should not require provincial or federal funding. Having those who benefit directly from specific municipal infrastructure pay for the associated municipal service is part of the municipal infrastructure strategy as outlined in the Building Together Guide for Municipal Asset Management Plans published by the Ministry of Infrastructure. In addition, the Commission on the Reform of Ontario's Public Services recommended that full cost pricing be implemented for water and wastewater services. The Township of Perth South has two water systems that operate on a 100% user pay basis. This costing includes an amount for future infrastructure replacement. It is felt that it is unfair to the municipalities in Ontario that have implemented recommendations for 100% user pay systems to be ineligible for the funding allocated to water and wastewater.

The definition of a small municipality for the purpose of the Municipal Infrastructure Strategy includes municipalities with a population up to 100,000. It is felt that this size of population is too large to be considered small and that further review of the small classification should be completed by the province for the purpose of determining program eligibility.

**2. Should the funding program be provided through a merit-based application process or through an entitlement program?**

During our discussion we were not able to come up with a definitive answer; however, we did come up with suggestions for both an entitlement program and a merit-based program.

As a municipality that is experiencing a decline in population, an entitlement based on population or household counts would not be ideal. All municipalities in Ontario are unique and face their own challenges. The Township of Perth South has a fairly large geographic area with the Thames River and its tributaries flowing through it. As a result we have a large amount of roads and bridges as part of our transportation system and suggest that the entitlement for roads and bridge infrastructure be based on amount of km roads and number of bridge structures. However, if an entitlement based on population was used, care must be taken to ensure that population amounts are not skewed by seasonal populations.

We understand that with an entitlement based funding program the amount of funding available to each municipality is reduced; however, the entitlement allocation provides funding on a more consistent basis and facilitates long term planning. Large funding amounts provided through a merit based process would seem like lottery funding, a great windfall if you are successful; however, you can't plan infrastructure financing based on winning the lottery because you never know when and if you will win. If merit based funding is used, consideration should be given to the % of the project funded. Reducing the % of project funding will increase the amount of funding available to other municipalities.

Another suggestion is the scaling of entitlement payment based on population size, with smaller municipalities receiving a larger amount of funding. For example, a scale could be established to include: fewer than 5,000; 5,000 to fewer than 10,000; and so on. This would provide a larger amount of funding for smaller municipalities who face the most barriers when it comes to financing core infrastructure and less funding to the larger municipalities who have more financing opportunities.

If a merit-based application process were to be used consideration should be given to economic condition, and average family income when considering a municipality's ability to fund the infrastructure project on their own.

Whichever method is chosen in the end, it is important that the application process be fair and transparent. As a municipality who applied unsuccessfully for infrastructure funding through the Municipal Infrastructure Investment Initiative (MIII) we want to be able to see what municipalities did receive funding and what that funding was used for.

The Township has been fiscally responsible and does not want to see a program that encourages poor fiscal management or rewards those who have not been fiscally responsible.

**3. How could the program complement and advance the work municipalities are doing on asset management planning?**

A stable level of funding that covers a period of at least 5 years and that is linked to asset management plans would complement and advance the work municipalities are doing on asset management planning.

The elimination of the requirement of “shovel ready” projects would help municipalities to address the critical work that is needed on core infrastructure projects.

Municipalities should be given the flexibility to choose priorities, within the parameters of the guidelines.

**4. How could the program encourage the use of the full range of infrastructure financing tools?**

It is important that all financing tools be utilized; however, some financing tools that are available are more lucrative to some than others. The program should give consideration to the following factors when analyzing where or not all sources of financing has been sought.

The P3 partnerships have been investigated by the Township; however, the Township's projects are too small. If an appropriate project could be found the private partners demand a high rate of return, which simply leads to an increase in taxes.

Development charges have been investigated by the Township; however, they have not been implemented due to the fact that there are limited items that a development charge could be implemented for, which do not make it an effective revenue source for infrastructure financing. The potential for growth in the Township is limited due to the agricultural land and Provincial Policy Statement on Planning and Development.

The Township currently has not incurred any debt for the financing of infrastructure projects. It is clear under the MIII Capital program that municipalities were to show that they were utilizing all available financing tools, including debt, to fund infrastructure projects. With a declining population, there are some who question who will make the future debt payments? While some debt may be necessary in the future, consideration should be given to a municipality's ability to repay the debt in the future.

The Township reviews user fees on a regular basis to ensure that fees are set at an appropriate level to recover costs of providing the service. Water and wastewater are operating on a full cost recovery basis, as recommended by the Province.

5. **In addition to funding and support for asset management planning, what other measures would help address municipal infrastructure challenges? For example, how can innovations in the construction process that lead to efficiencies, such as the use of recycled products, be better utilized?**

The Township has saved a significant amount by approving the budget earlier in the year and tendering construction projects early in the spring when construction costs are at their lowest. In addition, savings have been found through economies of scale by partnering with neighbouring municipalities in joint tenders for construction work. This has allowed the Township to maximize infrastructure work each year. Having a stable and predictable funding program would allow for planning that includes early tendering of infrastructure projects to ensure the best pricing possible.

The Township is open to trying new ideas and reviews information regarding new technologies that is shared by municipalities through various professional associations such as Ontario Good Roads Association (OGRA).

The County of Perth and the four lower tier townships are currently involved in a service delivery review to seek additional cost saving options that might be available.