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Date November 8, 2023
To Finance Committee– November 15, 2023
From Andy Grozelle, CAO
Report No. CAO 67-23
Report Title Emerging Issues Provincial Funding

Recommendation

That Report CAO 67-23, respecting Emerging Issues Provincial Funding, be received as information.

Executive Summary

This report is to provide Council with a high-level summary of emerging trends that we anticipate will Aylmer along with all Ontario municipalities.

Background

Earlier this month the Ontario Government released their 2023 fiscal update. The update indicates a slowing in the economic growth in Ontario, a drop in Ontario's GDP, and forecasts deficits in upcoming Provincial Budgets.

The Ontario government additionally announced the creation of an arms length infrastructure bank focused on funding major projects in affordable housing, health care, and transportation.

These announcements appear to be a change in direction from what was communicated to municipalities by the Premier at the 2023 AMO conference. At that

time there was a commitment made to bring forward another grant funding opportunity in the fall of 2023 similar to the ICIP program. At this time there is no indication that the province intends to provide new grant intakes for local infrastructure replacements.

Taken together, these steps are a potential indicator that the Province of Ontario is entering a period of fiscal restraint or austerity. This would end a period of higher levels of grant availability that were provided in part to stimulate the economy during the pandemic.

Ontario municipalities have been advocating for a new financial relationship with the province for many years. Both AMO and FCM have taken strong positions upon the need for higher levels of funding from the province to municipalities. A major focus of this call is the disproportionate burden of infrastructure and asset costs upon municipalities. This has created large asset deficits in most municipalities that have been brought to the forefront by new legislated requirements of *O. Reg. 588/17: Asset Management Planning for Municipal Infrastructure*.

Analysis

It is still too early to determine in what direction the province may proceed with municipal funding and grants. Town staff do anticipate that grant funding may not be as available in future years as it has been in the past.

Staff proactively review grant opportunities on an ongoing basis. Recent grant opportunities focused upon initiatives that would improve planning services or undertake growth related research or studies. The Town of Aylmer was not eligible for such grants. This was due to the Town being ahead of most other jurisdictions upon these initiatives and cannot file retroactive applications for reimbursement.

Town staff are currently discussing the Electric Vehicle (EV) ChargeON Grant opportunity with EARTH to review if a partnership is possible. This program could see the Town accessing grants of up to 75% for installation of rapid EV chargers on a main transportation corridor.

While the Town has been very successful in securing grant funding in the past, we do anticipate that future funding opportunities, if provided, will have a strong focus upon infrastructure expansion rather than replacement of existing. In the short to medium term this will not assist the Town significantly. Staff will continue to proactively review grant opportunities as they are announced.

There is potential that the Town will receive additional funding from the Building Faster Fund announced by the Province in August of 2023. The Ministry of Municipal Affairs and Housing has yet to set criteria for housing targets for small or rural municipalities. In 2022-2023, medium to large municipalities were asked to adopt housing targets directly by resolution. At the time of authoring this report, the majority of municipalities that established targets have not reached them. This is in part due issues that occurred in

2023 such as: labour demands, interest rates, and uncertainty in the housing market. The Ministry of Municipal Affairs and Housing did announce \$150 million in funding for small municipalities that meet housing targets. Aylmer is well positioned to secure a portion of these funds however is unsure what eligibility requirements will be announced by the Ministry.

Conclusion

Staff will continue to review provincial announcements and changes in policy direction. If there is a large shift from grant funding to municipalities accessing lower-interest loans from a provincial bank, staff foresee many municipalities having no choice but to delay or cancel infrastructure projects or substantially increase taxation. Aylmer is in a favourable position. Although the Town forecasts significant infrastructure deficits, we have already invested in growth to expand the industrial and commercial tax base. Many municipalities are not able to achieve substantial new growth without significant further investment.

A potential outcome of the province switching to an austerity or fiscally restraint position could be an overall reduction in infrastructure investment. This would likely reduce the demands upon firms that provide design and engineering work related to growth and could also favourably impact the tender and quotation outcomes for large capital projects.

Strategic Priorities

This report supports the goals and objectives set out in [Council's Strategic Pillars](#). The goal it supports includes: Pillar Five – Public Service Excellence.

Respectfully,

Andy Grozelle
Chief Administrative Officer

Appendix

Attachments

None

Follow Up

- In adopting this report, what follow up action is required?
- By-law
- Agreement(s)/document(s) to be signed by Mayor and/or Clerk
- Social media/Website update or communication
- Other communication – Specify: