December 1, 2016

Dear AMO Member:

RE: Federal Infrastructure Phase 2 Incrementality Resolution

As you know, the federal government announced additional infrastructure funding over the next 12 years in the Fall Economic Statement as part of its Phase 2 programming. It is consulting on design aspects for Phase 2 in order for it to be known before the funding programs begin in 2018.

AMO has endorsed a number of principles for the funding design – that it should maximize municipal flexibility; respect the breadth of municipal infrastructure assets and priorities; and provide stable, predictable, formula-based funding to municipal governments.

The role of incrementality and the funding formula (i.e., the share by each order of government) are important aspects. In communicating our principles to the federal government, we have noted the impacts of different formula approaches. The ideal position for municipal governments would be a 50% federal, 33% provincial, and a 17% municipal portion. This would mean a smaller share of municipal capital costs would recognize ongoing municipal operating costs which are generally not eligible for funding purposes. In reality, very few provinces agreed to fund 33% of Phase 1 programs, and some didn't put up new funds where they agreed to it. In Ontario, the provincial government did add new funding, in the amount of $250 million (25%) for the recent Clean Water and Wastewater Fund (CWWF). This was in addition to its existing multi-billion long term infrastructure plan. No provincial funding was added for the federal public transit agreement.

Generally, incrementality has been a feature of prior federal programs. It requires that municipal and provincial governments spend new additional funds for each infrastructure project in order to meet the eligibility rules. This requirement may have had some merit before municipal governments had comprehensive asset management plans and related multi-year capital plans. Going forward, it will confuse the principles and practice of asset management not to mention municipal financial planning because it would influence municipal priorities. Where there are multi-year capital plans, based on asset replacement and maintenance priorities of an asset management plan, the federal funding should be aligned with these municipal plans. Phase 2 should align with municipal long-term planned spending, not the other way around.

We hope that you agree. If so, please adopt the attached resolution and add your voice to AMO's. AMO continues to believe that good asset management is the foundation of appropriate municipal infrastructure and financial management. Funding approaches must support it to further advance the culture of municipal asset management in Ontario.

Sincerely,

Lynn Dollin
AMO President

FEDERAL INFRASTRUCTURE PHASE 2 INCREMENTALITY RESOLUTION

WHEREAS municipal governments' infrastructure is critical to our collective economic health;

WHEREAS stable, predictable and formula- based infrastructure funding allows municipal governments to plan and schedule investments in infrastructure;

WHEREAS Ontario municipal governments have asset management plans which set out a municipality's longer term capital plan which reflects the infrastructure priorities of these asset management plans; and

WHEREAS a federal incrementality rule interferes with municipal long-term infrastructure priorities and diminishes the value of municipal asset planning and management;

NOW, THEREFORE BE IT RESOLVED that the (name of municipality) calls on the federal government to provide long-term, predictable, and formula-based funding in its Phase 2 programs for municipal governments; and

BE IT ALSO RESOLVED that the (name of municipality) calls on the federal government to change incremental requirements in Phase 2 to recognize in Ontario that a municipal government' asset management plan meets a municipal incremental infrastructure requirement.

Please forward your resolution to:
AMO President Lynn Dollin amopresident@amo.on.ca