

Infrastructure funding

Program funding & design

Policy opportunity and solutions

To address its 20-year capital infrastructure deficit of \$5.8 billion, Peel Region and the local municipalities need the provincial government to address long-standing issues with infrastructure funding programs. To achieve this, the Province should:

- Partner with the federal government to ensure Peel Region receives sustainable and timely infrastructure investments.
- Ensure funding is commensurate with expected high inflation through 2023/2024 to maintain real spending levels.
- Implement funding programs using an allocation model to distribute stimulus funds expeditiously.
- Align related funding programs to prevent delays or barriers that arise when one infrastructure project relies on the completion of another.
- Revisit transfer payment agreement terms and conditions that align with realistic infrastructure planning cycles and projects.

Background

Peel Region is committed to working with the Province and other partners to help foster stability and growth during the state of heightened economic uncertainty. This includes increased infrastructure investments in Peel that will help achieve key provincial priorities, such as building more homes faster, creating jobs, and building an integrated transportation network, all of which will be essential to accelerating local economic activities and supporting Ontario's economic growth.



To effectively advance these shared priorities, it is crucial to ensure fully funded and effective programs that support infrastructure projects are aligned with provincial priority objectives. These projects encompass a range of critical initiatives, such as:

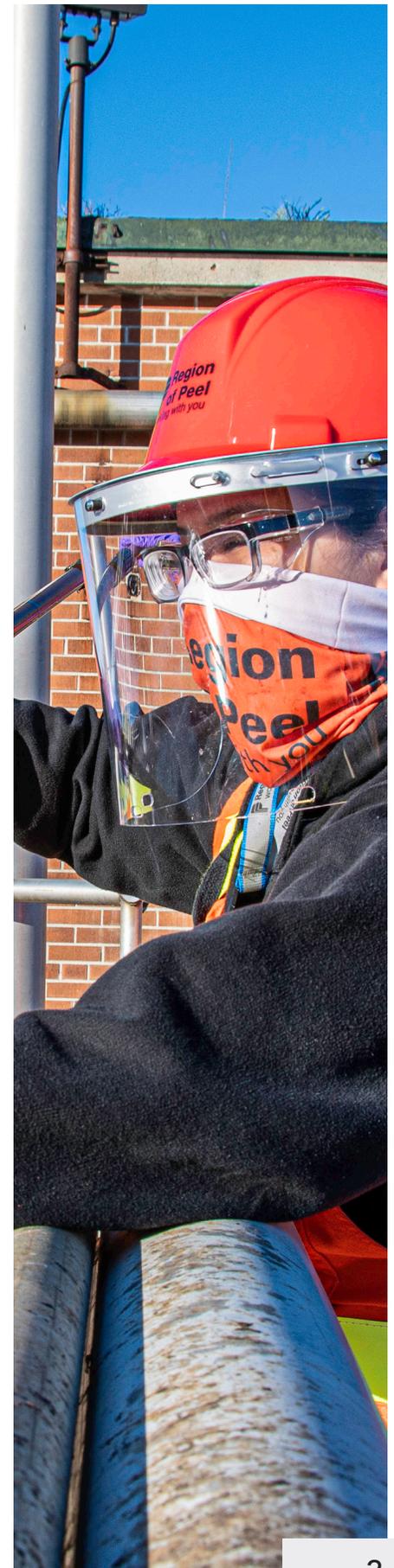
- Wastewater plant rehabilitation and energy resiliency projects, which focus on enhancing energy efficiency, recovery and generation.
- Inflow and infiltration projects aimed at improving water management and infrastructure integrity.
- Road construction projects, encompassing widening efforts, active transportation improvements, and the implementation of green infrastructure solutions.

However, achieving these objectives requires addressing challenges related to the design of current infrastructure programs. This involves identifying and overcoming potential barriers and inefficiencies to ensure programs effectively expedite these essential projects. By proactively addressing these design-related challenges, the Province can maximize the value of the remaining funds and accelerate progress toward shared priorities.

Capital infrastructure deficit and funding challenges

Peel Region currently faces a \$5.8 billion capital infrastructure deficit over the next two decades to simply maintain existing infrastructure in a state of good repair. To cover capital infrastructure gaps over the next two decades, Peel Region has increased property taxes and the utility rate. However, changes to the Development Charges (DC) Act, through Bill 23, will add pressure to the property tax base due to reduced development charges, leading to potential revenue shortfalls of \$2 billion or more over the next decade.

Increased government investment in infrastructure projects will not only help achieve provincial economic objectives, but also address Peel's pressing need for essential infrastructure.



Reforming municipal infrastructure funding programs

Provincial investment in infrastructure will be essential as municipalities push to meet their housing targets. To do this efficiently, the Province should work with municipalities to address design-related challenges in existing and future infrastructure funding programs. For instance, housing and transit construction can lead to additional costs in other areas, such as premature replacement or updating of water/wastewater infrastructure and higher life cycle and asset management costs.

Funding for such housing and transit projects should consider the costs borne by impacted services to ensure timely and sustainable implementation. Aligning related funding programs can prevent delays or barriers that arise when one infrastructure project relies on the completion of another.

Future funding programs must also allow for flexible project parameters and realistic timeframes that align with infrastructure planning and implementation cycles (e.g., 10 years). This approach will optimize the value of taxpayer dollars and address potential temporary supply shortages and increased resource and labor costs during construction projects in a high inflation environment.

Allocation vs. Application-based funding

To also support efficient use of infrastructure funding, the Province should support the implementation of an allocation-based model, aligned with each municipality's asset management plan. This approach can reduce costs by avoiding price fluctuations and contractor shortages associated with application-based funding. The allocation funding model used for the COVID-19 Infrastructure Resiliency Stream serves as a positive example. Moving forward, developing and implementing similarly structured funding programs in collaboration with the federal government will benefit residents in Peel, and across Ontario.

