

## **Background**

At the Budget Standing Committee (“Committee”) meeting on November 23, 2015, Bryan Shynal, Commissioner of Operations and Dan Dillon, Director of Transportation and Environmental Services presented an overview of the City’s Asset Management Program. Staff highlighted difficulties faced in maintaining City assets with limited funding.

Staff were directed by the Committee to prepare a report exploring the concept of an infrastructure levy.

## **Report**

Staff reviewed budget information from comparator municipalities as well as other municipalities to determine whether other municipalities had infrastructure levies to help fund asset management initiatives and how these levies had been implemented.

Of the ten comparator municipalities, three were found to have Council approved infrastructure levies (Barrie, Kingston, Thunder Bay). Two non-comparator municipalities were found to have Council approved infrastructure levies (Mississauga, Newmarket). In all cases, these levies were blended into the general tax rate and were not disclosed as a separate rate on the property tax bill as is currently done with the Hospital Levy on the St. Catharines property tax bill.

Of the remaining seven comparator municipalities:

- Two may be considering implementing levies (Guelph, Windsor)
- One considered implementing a levy but voted against doing so until a comprehensive asset management plan was completed; however in 2008 they created a reserve fund dedicated to infrastructure reinvestment and renewal – the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) (Waterloo)
- One had implemented a levy to fund an Economic Development Investment Fund (Kitchener)
- One may use part of their annual funding from the Ontario Lottery and Gaming Corporation in future years towards capital projects (Niagara Falls)
- Two had no indication of implementing a levy in the near future (Cambridge, Oshawa)

## Municipalities with Infrastructure Levies

Municipality	Details	Usage
<b>Comparator Municipalities</b>		
Barrie	<ul style="list-style-type: none"> <li>Approved and implemented as part of the 2015 Business Plan</li> <li>1.0% of the Property Tax Rate – incorporated as part of the general property tax rate (not shown as a separate levy similar to our hospital levy)</li> <li>Replaces annual transfer from operating budget to “Tax Capital Reserve”</li> <li>Total levy in 2015: \$1.448M</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure funding</li> </ul>
Kingston	<ul style="list-style-type: none"> <li>Capital policy introduced in 1999 included a 1% incremental tax increase allocated annually to fund infrastructure renewal and capital works</li> <li>1.0% increase on tax levy compounded since 1999</li> <li>Total levy in 2015: \$27.8M</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure renewal and capital works</li> </ul>
Thunder Bay	<ul style="list-style-type: none"> <li>5 year “Enhanced Infrastructure Renewal Program”</li> <li>Dedicated incremental increase to the municipal tax levy to address infrastructure deficit</li> <li>Total levy in 2015: \$8.4M</li> </ul>	<ul style="list-style-type: none"> <li>Pavement, road network improvements, bridges/culverts, streetlights, sidewalks, storm sewers, parks, facilities</li> </ul>
<b>Non-Comparator Municipalities</b>		
Mississauga	<ul style="list-style-type: none"> <li>In 2008 Mississauga introduced an Infrastructure Levy</li> <li>2.0% of general tax levies: 50% used for increased infrastructure expenditures, 50% used to service debt repayments on infrastructure</li> <li>Total levy in 2015: \$7.9M</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure expenditures and to service debt repayments on infrastructure</li> </ul>
Newmarket	<ul style="list-style-type: none"> <li>Approved as part of the 2015 Operating and Capital Budget</li> <li>Additional 1.0% of general tax levies for contributions to “Asset Replacement Fund”</li> <li>Total levy in 2015: \$505K</li> </ul>	<ul style="list-style-type: none"> <li>General infrastructure</li> </ul>

## Municipalities without Infrastructure Levies

Municipality	Details	Usage
<b>Comparator Municipalities</b>		
Cambridge	<ul style="list-style-type: none"> <li>No levy or any found consideration of an infrastructure levy option</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Guelph	<ul style="list-style-type: none"> <li>No levy</li> <li>In July 2015 Council received a presentation from BMA Management Consulting Inc. re: funding options for aging infrastructure which included adding an infrastructure levy to property taxes</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Kitchener	<ul style="list-style-type: none"> <li>No levy</li> <li>From 2004-2013, Kitchener created a \$110M Economic Development Investment Fund which was funded through tax levies and debentures</li> <li>The fund was used to facilitate business growth:               <ul style="list-style-type: none"> <li>University of Waterloo School of Pharmacy - \$30M</li> <li>Wilfrid Laurier Faculty of Social Work - \$6.5M</li> <li>Downtown parking improvements - \$5.5M</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Niagara Falls	<ul style="list-style-type: none"> <li>No levy</li> <li>Niagara Falls Review reported that unfunded capital projects may receive some funding from the annual \$21.3M Ontario Lottery and Gaming Corporation payment made to the City of Niagara Falls</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Oshawa	<ul style="list-style-type: none"> <li>No levy or any found consideration of an infrastructure levy option</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Waterloo	<ul style="list-style-type: none"> <li>No levy</li> <li>Council considered a levy in April 2014 but voted against a 1.0% levy until a comprehensive asset management plan was completed</li> <li>In 2008, Council created a reserve fund dedicated to infrastructure reinvestment and renewal of existing infrastructure – the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) – twenty percent (20%) of assessment growth each year goes to CIRRF for rehabilitation of infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Windsor	<ul style="list-style-type: none"> <li>No levy</li> <li>Staff recommended to Council at its meeting on Nov 23, 2015 that Council consider adding 0.5% to property taxes starting in 2017 for 20 years for a Road Levy</li> </ul>	<ul style="list-style-type: none"> <li>If approved by Council, levy is to be used for roads</li> </ul>

## Conclusion

There are several examples of infrastructure levies. Infrastructure tax levies range for 1.0% to 2.0%. They can be specific or general. Typically they are used for infrastructure expenditures or debt servicing costs. The City of Windsor is considering an infrastructure tax levy for 2016 of 0.5% for roads.

There are infrastructure amounts currently in the City's tax levy. Staff reviewed the last five years of the operating budget to determine how much funds infrastructure. The chart bellows details this history of infrastructure funding in the City's operating budget. The amounts are in thousands (000's) of dollars

<b>Budget Item</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Road Improvement Program	\$2,306	\$2,306	\$2,306	\$2,360	\$2,500	\$2,500	\$2,500
Bridges & Culvert Program	\$125	\$125	\$125	\$125	\$125	\$125	\$125
Sidewalk – block to block improvements	\$350	\$350	\$400	\$400	\$400	\$375	\$375
Sidewalk – walkway improvements	\$50	\$50	\$0	\$0	\$0	\$25	\$25
Traffic Signal Installation	\$200	\$200	\$200	\$200	\$300	\$150	\$110
Parks Special Projects	\$145	\$145	\$425	\$230	\$290	\$250	\$260
Capital out of Revenue	\$1,400	\$1,358	\$1,370	\$1,298	\$1,444	\$1,503	\$1,451
Equipment Reserve Funding	\$1,021	\$1,021	\$925	\$755	\$474	\$300	\$975
Building Improvement Reserve Funding	\$500	\$500	\$0	\$0	\$0	\$0	\$0
Transit – Capital	\$40	\$115	\$155	\$230	\$230	\$255	\$205
Paratransit – Capital	\$90	\$0	\$150	\$160	\$90	\$180	\$90
<b>Total Infrastructure Funding</b>	<b><u>\$6,227</u></b>	<b><u>\$6,170</u></b>	<b><u>\$6,056</u></b>	<b><u>\$5,758</u></b>	<b><u>\$5,853</u></b>	<b><u>\$5,663</u></b>	<b><u>\$6,116</u></b>
<b>Total Expenditure Budget</b>	<b><u>\$108,948</u></b>	<b><u>\$105,843</u></b>	<b><u>\$105,534</u></b>	<b><u>\$102,268</u></b>	<b><u>\$98,892</u></b>	<b><u>\$95,784</u></b>	<b><u>\$92,981</u></b>
<b>Infrastructure Funding % of Operating Budget</b>	<b><u>5.72%</u></b>	<b><u>5.83%</u></b>	<b><u>5.74%</u></b>	<b><u>5.63%</u></b>	<b><u>5.92%</u></b>	<b><u>5.91%</u></b>	<b><u>6.58%</u></b>

The Infrastructure Levy is a tool that aids the City and Council in demonstrating accountability and transparency to the taxpayers about how funds are allocated and for what purpose. Staff recommends that the Budget Standing Committee support the infrastructure levy in principle and that further consideration of establishment of the levy be given during budget deliberations.