Backgrounder: Facing Our Fiscal Challenges,
A Report on the Financial Sustainability of Local Government in Eastern Ontario

Project information

The Eastern Ontario Financial Sustainability Update Project is a landmark analysis of the economic and financial condition of all 114 urban and rural local governments in Eastern Ontario.

The Project Report, *Facing Our Fiscal Challenges*, documents the economic environment, assessment base, infrastructure challenges and financial capacity of local governments in Eastern Ontario. It is the most comprehensive examination of municipalities in Eastern Ontario that has ever taken place.

The Report is intended to frame a discussion about how federal, provincial and municipal governments can work together to put Eastern Ontario communities on a sustainable financial footing and fund essential infrastructure.

Report Highlights: Municipalities in Rural Eastern Ontario face unique challenges

Right now, municipalities in Rural Eastern Ontario are only able to invest about two-thirds of the amount needed to *maintain* existing capital assets like roads, water and sewer systems, and public facilities.

Municipalities in Rural Eastern Ontario need to find an additional $500 to $600 million per year to maintain existing capital assets, including roads and bridges.

Rural municipalities in Eastern Ontario cannot possibly meet their infrastructure demands alone. There's little room left to raise taxes, debt levels are rising and depleting reserve funds will only provide a one-time, Band-Aid solution to a significant, long-term problem.

Rural land generates less tax revenue than urban land. More than three-quarters of land in the region is partially or completely exempt from municipal property taxes. This includes Crown Land, managed forest lands and farm land tax program areas.

People living in Eastern Ontario's rural areas are more likely to be aged 65 and over, have lower incomes and higher rates of unemployment compared with the rest of the province. As a result, they get more of their income from government transfers than the province as a whole.

Municipalities in Rural Eastern Ontario have a limited tax base but higher service delivery costs compared with urban municipalities in the Region. Roads and bridges often run through sparsely populated areas, making the maintenance and reconstruction more costly on a per household basis because there are less people to share the load.

Rural Eastern Ontario has almost as many households as the City of Ottawa, but they are spread out over a much larger geographic area. For example, in the Region's separated cities, the cost of rebuilding one lane-km of road is split between 25 households, while in Rural Eastern Ontario, the same cost must be split by only five households.