



Finance Department  
Commissioner's Office

## Memorandum

TO: Regional Chair and Members of Council  
FROM: Bill Hughes, Commissioner of Finance and Regional Treasurer  
DATE: January 22, 2015  
RE: **AMO Research Project – Municipal Infrastructure Investment  
and Financial Sustainability**

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The Association of Municipalities of Ontario (AMO) has approached York Region to partner with it on a research project to develop financial policies and best practices for municipal debt and reserves.

AMO would like to construct an evidence-based financial framework to address the issues of municipal financial sustainability and infrastructure investment. The framework is expected to serve as guidance for municipalities in the development of a sustainable infrastructure financing strategy.

AMO and the Region will work together to develop this framework, with AMO sponsoring the project and the Region researching and writing the report.

The goal of the research is to better understand the relationships between asset management, reserve management and debt management, in the context of differing municipal fiscal circumstances.

The project will address the following questions:

- 1) How should municipalities identify their capital investment needs? How should municipalities' capital investment needs relate to their asset management planning process?
- 2) What are the major factors that impact the nature and components of municipal capital investment needs?

- 3) Do municipalities with similar characteristics (i.e., population size, taxable assessment, growth profile, average household income, geography, etc.) share similarities in terms of the nature of capital needs and financing strategy?
- 4) What factors should municipalities consider in financing capital projects? What are the main impacts of full cost recovery on capital investment and financing?
- 5) What role does intergenerational equity play in the development of a fiscal strategy?
- 6) What are the optimal fiscal strategies for different groups of municipalities?
- 7) Is the Annual Repayment Limit the right metric to measure municipalities' borrowing capacity? What other measurement can municipalities use to determine affordability of debt?

The Finance Department will carry out the project, which is expected to take up to two years to complete.

It is anticipated that the project will require some additional staff resources and some management time. These positions will be backfilled as required. Under the proposed agreement, AMO will reimburse the Region for the cost of the staff, as well as any additional expenses for the project.

The Region will realize a number of benefits from undertaking this project with AMO:

- Developing an in-depth understanding of the fiscal circumstances and policies of municipalities throughout the province
- Building intellectual capital that can be used to inform the Region's own fiscal policies
- Reinforcing York Region's role as a respected centre of excellence in the municipal finance field.

It is expected that this project will begin in February 2015. For further information, please contact Ed Hankins, Director, Treasury Office, at extension 71644.

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Bill Hughes, Commissioner of Finance