



March 5, 2012

Landmark analysis reveals rocky road ahead for local governments in Eastern Ontario

Results of a comprehensive financial study of Eastern Ontario municipalities paint a sobering picture of a region struggling with a limited tax base, rising debt levels and a growing need to invest in infrastructure.

An Eastern Ontario Wardens' Caucus initiative, the Eastern Ontario Financial Sustainability Update Project examined the economic condition of all 114 urban and rural local governments in Eastern Ontario.

"We've known for some time that Eastern Ontario communities are facing tough challenges," said Mel Campbell, Chair of the EOWC. "Now we know exactly what these challenges are and how they will affect the ability of the Region's local governments to provide vital community services and maintain our roads, bridges and other infrastructure."

The Project Report, *Facing our Fiscal Challenges*, identifies numerous factors that contribute to the Region's overall financial sustainability. In addition to challenges faced by the Region as a whole, the Report identifies long-standing difficulties unique to the Eastern Ontario's 103 rural municipalities:

- **Limited tax base to pay for services and maintain existing infrastructure.** Residents contribute almost 90 per cent of property taxes collected in the Region's rural communities due to low levels of commercial and industrial activity. In addition, these residents are more likely to have lower incomes, be unemployed, and be over age 65 compared with the rest of the Ontario.
- **Rising debt levels.** Municipal debt levels have increased about 300 per cent over the past decade.
- **Growing and critical need to maintain existing infrastructure and meet future needs.** 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.

"Municipalities in Rural Eastern Ontario, like Haliburton County must fund higher service delivery costs with a limited tax base," said Warden Murray Fearrey. "Roads in the rural area of the Region span an area roughly equal to 1.5 times the distance around the world. In the Region's separated cities the cost of rebuilding one lane-km of road is split between 25 households, while in our rural areas, the same cost is shared by only five households. Economies of scale are rare."

Residents of Eastern Ontario pay their taxes. However, the Report makes it clear that these residents are reaching the limit of their ability to pay for existing services and meet long term infrastructure needs.

Eastern Ontario governments cannot face this challenge alone. The EOWC is initiating a series of discussions at both federal and provincial levels to find ways to address our Region's unique concerns and issues, while recognizing that all levels of government face major financial challenges.

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To read the entire Report, Facing Our Fiscal Challenges, go to www.eowc.org