MHCA
MANITOBA HEAVY CONSTRUCTION ASSOCIATION
Groundbreaking

Executive Policy Committee
2012 Capital Budget
2013-2017 Five Year Forecast

I appreciate the opportunity of appearing.

My first observation followed by recommendations is the following: the 307 page Preliminary and 2013-2017 Five Year Forecast book is full of information and no information. It is difficult to digest, understand and/or draw conclusions from without some preliminary context first being provided.

If the capital budget is tied to a plan and funding sources, restrictions and/or revenue realities, those should be presented up front and the budget recommendations presented thereafter.

The budget's presentation should also be referenced against identified infrastructure needs so that gaps and their impacts are readily identified and can become the subject matter of review and discussion whether tied to revenue options or proposed, suggested, identified practices and efficiencies.

The above information is neither outside the capacity nor ability of your administration. I reference you specifically to three reports each presented to EPC and Council in July 2009. They were:

1. Existing Infrastructure Deficit, dated July 8, 2009
2. New Strategic Infrastructure Deficit, dated July 8, 2009
3. Infrastructure Deficit and Possible Funding Options, dated July 15, 2009

It should also include as a regular 'information' feature, the previous five years, the preliminary current year and the projected five year forecast in a graph form. Pictures replace a thousand words. They inform, they educate. Respectfully the existing format is far from either.

The Executive Policy Committee is therefore encouraged to recommend to its civic administration that the Preliminary Capital Budget and Five Year Forecasts henceforth be re-crafted to include the above information at minimum.

The above is not stated as a criticism but rather as a suggestion to make reviews of these documents by the elected and administrative branches and by the public more meaningful and helpful. It is also an imperative of fiscal good governance and sound asset management strategies.

Flowing from the above, I must admit to alarm and concern when taking a retrospective and prospective review of dollars allocated to residential streets, local streets and Thin Bituminous Overlays (TBO's)

A review of the period 2007-2011 inclusive and long with projections for 2012-2017 are not reflective of anything other than numbers absent their being tied to needs or future impacts. The numbers suggest the following:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential Streets	$27,549	$31,891	$25,169	**$17,178**	**$28,946**	**$17,830**	**$19,777**	$29,887	$27,549	$31,127	$33,685
Local Streets	$14,469	$8,400	$15,000	**$15,400**	**$12,000**	**$10,000**	**$10,000**	$10,000	$10,000	$10,000	$10,000
Thin Bituminous Overlay (TBO)	$3,000	$3,000	$3,000	**$4,000**	**$2,000**	**$3,000**	**$3,000**	$3,000	$3,000	$3,000	$3,000
Please Note: 2012 - 2017 numbers are captured from the Preliminary Capital Budget											

On the surface the decline from 2011 to 2012, down from $42 million to $30 million, a $12 million reduction given the sorry condition of Winnipeg's streets is alarming to begin with.

Of greater concern is that these numbers fall well short of numbers projected in 2009 which were even then noted to be below that required. The July 2009 Existing Infrastructure Deficit report (page 6) projected $65 million of investment in stress in 2010-1014 inclusive.

The actual appear to be as follows:

2010 $36 million
2011 $42.9 million
2012 $30.8 million
2013 $32.7 million
2014 $42.9 million

The annual investment deficit for existing infrastructure was projected in the 2009 reports to be $380 million annually globally. Of that amount $194 million annually was for bridges, roads- regional and roads - local and lanes.

Whether my numbers are precise or not, and they are difficult to prepare given the differing presentation formats – a annual gap in the vicinity of roughly $160 million for road-regional, roads local and lanes is not being addressed – anywhere.

The point here is not to try to argue whose numbers are right or wrong. That would be diversionary to the task at hand which is how do we as a community, a province, a country bridge that gap in a responsible manner, recognizing there is only one taxpayer, recognizing that transition and economic growth and relative tax regime competitive are important working parameters.

Let me give you some suggestions, and these are in no order of priority:

1. The City of Edmonton in 2009 recognized that it had to add a sustained revenue stream to its infrastructure budget and came up with a Two per cent solution.

   It agreed to implement a dedicated 2% increase in tax levy in 2009 and each subsequent year until a sufficient fund could be established to adequately sustain city neighbourhood needs.

In Winnipeg a 1% increase in realty taxes raises $4.3 million.

Nothing stops this Committee from making a similar recommendation, namely dedicating an annual 2% increase in realty taxes dedicated to its existing infrastructure budget.

On the surface, $8.6 million is not a lot of money given the need. However, there is no denying the existing need. Nor is there any denying that immediate steps are required.

Further you have access to the frontage levy. A $1 per frontage foot raises $10.8 million. This too could be adjusted and dedicated to annul investment to improve the condition of Winnipeg's streets.

You might also wish to consider tolling all existing bridges tied to a replacement and maintenance strategy. Assume for a moment 100,000 cars daily use bridges and a $1.00 per day toll was implemented. That could potentially add $36.5 million of revenue.

I am not suggested you do this overnight. I am suggesting that this is one avenue for consideration. This, not unlike the $.20 surcharge on Transit Fees to support investment in rapid transit, cannot as a user fee tied to a benefit, be dismissed.

2. I encourage as a second step, that the IRPW Committee examine the IFC Report and the funding options it suggests which include but are not limited to the following:

Maximize Use of Existing Financial Tools

1. Apply the notion of 'smart debt' within individual municipal context. This approach means building a consensus around an appropriate and sustainable level of tax-supported debt over the long-term, recognizing that borrowing is a legitimate part of any long-term capital financing plan.

2. Consider the application of a special purpose tax (frontage fees) specifically allocated to infrastructure funding. Frontage levies: $1 frontage foot raise $10.8 million

3. Review user fee structures and adjust where necessary to ensure that there is a clear link between the fee being paid and the service being provided and that these fees reflect the true cost of the service provided. You have already moved in that direction with Transit. Are there others you should consider?

4. Augment current infrastructure budgets equal to an annual average of the last five years and provide for annual increases equal to the rate of inflation and population growth, utilizing existing municipal sources of revenues.

5. Publicly set out a clear detailed strategy for addressing the infrastructure deficit including a time frame for the effort, measurable benchmarks, periodic reviews and public accountability for results.

6. Utilize PPPs but preferably with models that generate revenue streams as the source of funding repayment

7. Perhaps City Council has to consider the notion of tolling new bridges and /or key access points to/from the City of Winnipeg

Address Efficiencies, Adopt Best Practices and Reinvest Gains into Infrastructure

8. Adopt Best Practices by:
   a. Implementing the recommendations of the 1998 Strategic Infrastructure Reinvestment Policy Report (SIRP) which provides a municipal roadmap to align asset management practices and budgeting – see Appendix 'E'

   b. Phasing in infrastructure asset management processes and systems to better quantify existing and future infrastructure needs.
   c. Financing infrastructure projects to properly recognize project life and replacement patterns.

   d. Justifying construction of all new publicly funded infrastructure projects by providing a cost/benefit analysis that incorporates sustainability.

   e. Including incremental maintenance costs and a parallel maintenance budget for new or upgraded infrastructure.

   f. Incorporating advanced techniques, improved technologies, better materials and best practices in all infrastructure programs.

   g. Applying full cost accounting principles to all government services ensuring that the prices for services reflect the true costs of service(s) provided.

   h. Determining the most cost effective options for all capital programs for new or rehabilitated infrastructure by pursuing life cycle costing analysis.

9. Reinvest resulting efficiency gains/financial savings into priority infrastructure projects.

Pursue Rural Regional Infrastructure Delivery Strategy

10. Maximize efficiencies and create a regional focus by delivering infrastructure services in partnership with neighboring municipalities consistent with objectives in the Planning Act and the Capital Region Partnership Act objectives.

Lastly, I encourage the Executive Policy Committee to resurrect the notion of a standalone **Transportation Authority** which was recommended in the SIRP Reports of 1998 and 2000, Transplan 2010, the IFC Report, and in the most recent Transportation Master Plan.

It is clear that the practices of the past have resulted in the enormous infrastructure deficit. New ways and means including funding must be identified and soon to begin closing that gap. A Transportation Authority might be one answer and is an option not to be ignored.

Conclusion

The truth of the matter is that all of the above will still leave the city well short of what it requires.

What the City of Winnipeg and frankly all municipal governments require, is access to growth taxes. Municipalities should as a necessary corollary focus their decision making around growing the economy.

Access to growth taxes is within provincial authority. The province of Manitoba will not simply hand over more money to Winnipeg or other municipalities and neither will the federal government.

Before they consider any such decisions, what is required are credible significant policy based steps forward made first by the City of Winnipeg to earn it trust and credibility with the public first and provincial and federal authorities second.

The above steps openly and visibly taken by Winnipeg would give it credibility and moral authority, and would garner public support in asking the province to consider economic growth revenue transfers to Winnipeg to address infrastructure deficit challenges.

Recommendations
In short I ask that this Committee

1. For the purposes of the 2012 Preliminary Capital Budget, advance the above recommendations as they relate to revenue recommendations;

2. That it request a re-formatting of budget document to include the information recommended at the beginning of this presentation;

3. That with respect to the 2013-2017 Five Year Forecast, this Committee request its administration for advice on the manner in which the IFC Report recommendations are or could be reflected in all future capital budgets and associated strategies;

4. That administration be asked to offer such other capital strategy alternatives as may arise from consideration of the above;

5. That you resurrect and fully consider the advantages that may arise in creating a standalone Transportation Authority; and

6. That the requested report be received with the contemplated recommendations within the next 90 days with no extensions.

I thank you for this opportunity and would be pleased to address any questions.

Respectfully submitted,



Chris Lorenc, B.A., LL.B.,
President MHCA
December 5, 2011