MHCA
MANITOBA HEAVY CONSTRUCTION ASSOCIATION
Groundbreaking

March 7, 2012

To: Mayor Sam Katz, Chair, Executive Policy Committee (EPC)

And to: Members of Executive Policy Committee (EPC)

From: Chris Lorenc, President MHCA

Subject: **2012 Operating Budget – MUNICIPAL INFRASTRUCTURE FUNDING OPTIONS**

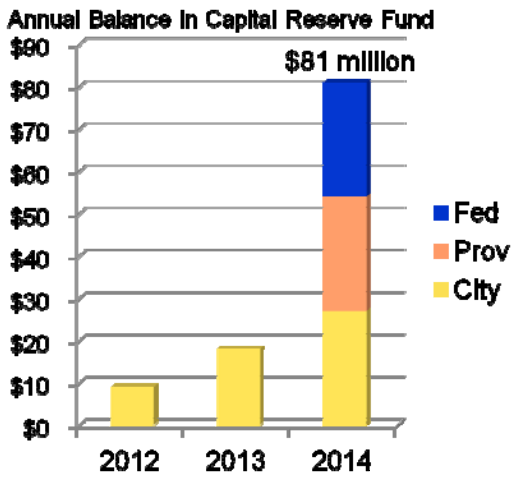
I will be away from the city and therefore unable to appear at the March 13, 2012 meeting of EPC. Hence this written submission as you consider the 2012 Operating Budget.

MUNICIPAL INFRASTRUCTURE FUNDING OPTIONS
Winnipeg is respectfully urged to make internal changes, including maximizing its own revenues and borrowing authorities, introducing organizational efficiencies and implementing best practices.

Dedicated realty tax increases, frontage levies, user fees, road and bridge tolls, all accountably dedicated to infrastructure reinvestment are within your ability to ultimately achieve.

There is no avoiding considering these options given the scale and enormity of the infrastructure deficit. Further, if as we believe, the solution is a shared responsibility between the three levels of government, we would anticipate that before providing access to any new revenue streams, senior levels of government would expect no less from municipal governments.

Dedicated City Infrastructure Reserve - Options
Immediate first steps for consideration in the 2012 Winnipeg Operating Budget should include consideration of the establishment of *Dedicated City Infrastructure Reserve* to potentially match funds with Provincial and Federal Government. Two options (of many) to consider:

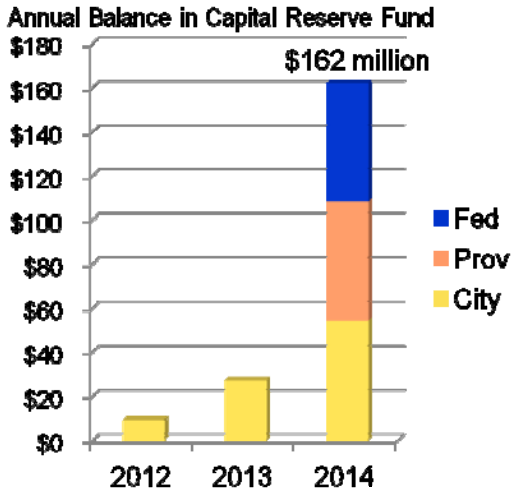


A City Council approved **one time 2% property tax increase dedicated to infrastructure investment**, would raise $9 million each year per year on-going.

If the annual $9 million were placed in a capital reserve fund, the fund would reach $27 million in 3 years.

By 2014 - anticipated date for Building Canada Fund 2 - this reserve could be used to match federal/provincial funding to create a large infrastructure funding source of $81 million.

Absent matching programs every $9 million leverages the borrowing costs of $120 million of new debt over 30 years.



Alternatively, a City Council approved **annual 2% property tax increase, in each of the next three years dedicated to infrastructure investment**, would raise new $9 million in the 1st year, an additional $18 million in the 2nd second year, and a further $27 million in the 3rd year.

If the annual dedicated amounts were placed in a capital reserve fund, the fund would reach $54 million in 3 years.

By 2014 this reserve could be used to match federal/provincial funding to create a large infrastructure funding source of $162 million.

Absent matching funding programs, every $9 million leverages the borrowing costs of $120 million of new debt over 30 years.

We realize that no one likes tax increases.

We submit however, that modest municipal increases dedicated to infrastructure renewal and reinvestment are not only a fiscal imperative, but properly presented, transparently and accountably invested, would be supported by the general public.

PROVINCIAL FUNDING OPTIONS

We support the notion that municipalities must be granted access to consumption taxes which increase with economic growth.

We support the view that Manitoba should increase the PST by an additional point for municipal infrastructure reinvestment, or enable a similar such levy dedicated to municipal infrastructure purposes.

A 1% PST or similar such levy province-wide generates $254 million annually (2012 estimate). In Winnipeg, assuming a per capita distribution, the 1% PST would equate to annual revenues of $140 million.

FEDERAL FUNDING OPTIONS

The federal government must not escape its shared responsibility. Its tax revenues benefit most by a growing economy.

We would encourage petitioning the federal government to consider increasing the GST which was reduced to 5% from 7%, along with the observation at that time, that the vacated room could be absorbed by other levels of government.

In the context of revenues, a 2% GST Canada-wide generates $63 billion (2012 estimate). In Winnipeg, on a per capita basis, the 2% GST would equate to $250 million (1% GST = $125 million for Winnipeg). It should be noted that a 2% GST increase would go a long way in eliminating the infrastructure deficit for all Canadian municipalities.

You are respectfully encouraged to visit the “Big Fix” on CBC’s website dealing with municipal infrastructure. The website tool only allows for 1% GST, but with 1% GST it cuts the infrastructure deficit in half over the 20 year period. Thus 2% deals sufficiently with the total, total in this context meaning existing and new infrastructure requirements.

The CBC website address is: http://www.cbc.ca/news/interactives/infrastructure-calculator/#

CONCLUSION

There is an understood reluctance, particularly after more than a decade of relatively static taxation levels, of increasing taxes and being seen to reach into the pockets of ratepayers. The need for that reality, responsibly exercised however, is clearly upon us.

We have a collective responsibility to future generations to accept that repeating mistakes of the past and expecting different results is insanity. A change in direction requiring decisions is upon us.

We would undertake to participate with you in public forum to inform, educate and articulate to the public the imperatives of responsible change, including the merits of the above proposals.

All of which is respectfully submitted for your consideration.

Regards,

Manitoba Heavy Construction Association (MHCA)



Per:

Chris Lorenc, B.A., LL.B.,
President