MHCA
MANITOBA HEAVY CONSTRUCTION ASSOCIATION
Groundbreaking

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Budget Presentation to Executive Policy Committee (EPC), December 12, 2013

Proposed Resolution

The City is encouraged to develop an approach to the Province of Manitoba and in the process engage the public's support, to allocate as a matter of balanced fiscal sharing fairness and equity, a greater share of existing growth taxes -- PST, corporate and income taxes -- to the City of Winnipeg as part of a new fiscal arrangement between the province and Winnipeg, and by extension municipalities across Manitoba.

In our judgment, this approach is reasonable, it is a matter of fiscal necessity, it is recognized in many public bodies[1] and most importantly, this approach has been legitimized and has been earned by the City of Winnipeg.

It is based upon the City's growing recognition - as reflected in decisions and directions made or under active consideration - that sustained and strategic investment in core infrastructure fuels economic growth, which generates growth tax revenues to government - primarily the province - which ultimately fund our quality of life programs -- healthcare, education, police, recreation, and social safety and related.

Such a resolution should call upon the Premier to commit to a review of the fiscal relationship between the province and municipalities engaging representation from the Province, Winnipeg, AMM and key stakeholders, and implement its results in time for budget year 2015.

This call for such a review should come from Executive Policy Committee and be tabled for consideration by the full City Council at its December 17, 2013 meeting.

Background

The province in its November 12, 2013 Speech from the Throne committed to investing every dollar raised through the increase in PST to core infrastructure targeting economic growth. In round numbers this will add at minimum roughly $300 million in each year over the next ten years or $3 billion. This does not factor in the leveraging opportunities associated with the new dedicated revenue stream.

Since then there have been a number of sound strategic transportation investment announcements designed to further connect Winnipeg, the Capital Region, Western and Northern Manitoba to the world, recognizing the imperatives of trade opportunities and those relationships to economic growth in this province and country.

The city has also made some key investment decisions including:

- In 2013 Winnipeg City Council moved forward with the establishment of a new Local Street Renewal Reserve increasing investment over a 25 year period from $550 million to $3.5 billion; and placing the residential street system on a 25 year replacement cycle;

- In November 2013, Mayor Katz appointed a new Secretary of Economic Development as part of the responsibilities of the Chair of Finance at EPC. The main responsibility of this appointment is to ensure

[1] See attached Winnipeg Free Press Editorial dated November 30, 2013 entitled: 'City budget exposes fiscal gap.' See also the recommendations in the IFC Report entitled 'New Relationships, A New Order, A balanced approach to funding municipal infrastructure in Manitoba' released May 2011.

that the City of Winnipeg takes a city-wide approach to economic development, with a fully integrated economic development strategy.

- On December 4, 2013 the City of Winnipeg announced a service sharing agreement with the R.M. of Rosser that will allow wastewater from the Rural Municipality to be treated at the City's North End sewage treatment plant.

  The agreement will provide significant assistance in the development of CentrePort Canada, Canada's first multi-modal inland port. This agreement will help attract large-scale distribution centres, and new business interest from within the province and beyond.

- The adopted Winnipeg Transportation Master Plan projects short, medium and long term investment priorities many of which recognize the imperatives of seamless, efficient, movement of goods services and products within, in and out of the City of Winnipeg given our trade, transportation and logistics hub history and role which continues to expand and grow.

- City Council will soon consider the merits of establishing a Winnipeg Transportation Authority (WTA) to enable and/or empower a structure mandated and presumably funded and/or with access to funding, to implement and oversee transportation priorities established as the prerogative of the elected branch of government and reflected in the Winnipeg Transportation Master Plan (TMP).

- The current budget proposes to establish a annual 1% property tax increase until 2022 (raising approximately $51 million that year) dedicated to a New Regional Street Renewal Reserve to manage and track new revenue.

  Over the next 10 years, without the new regional street funding/reserve, the City was planning to invest about $21 million per year on Regional Streets which works out to, over 10 years (2014 to 2023) as per Appendix 7, $227 million for existing spending.

  The new additional investments spending would total $314 million - an increase of 138% over the existing planned levels. This results in a total planned investment (existing and new) for the regional street program of $541 million over the next 10 years.

  This direction recognizes that within Winnipeg there are nearly 10 million daily vehicle-kilometers of travel, with about 80% of this traffic volume travelling on regional roads – the remaining 20% travel on local streets. The regional system forms the economic backbone to the City's transportation system.

In summary then, we see emerging policy recognition by the City of Winnipeg to grow dedicated purpose driven infrastructure investment. This dedication recognizes that sustained and strategic investment in infrastructure fuels economic growth and is a matter of public policy priority.

Frankly, Winnipeg and all cities need to reorient 'fiscal' thinking from 'raising money' to growing the municipal economy and assessment base as a first priority. Economic growth is the prerequisite to government revenues with which to fund quality of life programs.

Concurrently, provincial government should both encourage such a priority focus and 'reward' with a greater share of existing growth taxes.

Access to growth taxes allows for reduced pressure on realty tax base and provides for greater municipal fiscal flexibility.

A classic example of immediate focus for correction is the proposed *Manitoba Winnipeg Infrastructure Agreement* which has received Council approval but has not yet been signed. It is our understanding that this would provide provincial funding of $220 million over 6 years which ***is the same amount of contribution as in the past***.

At a time where the City is taking a noted and respected step forward in addressing its infrastructure investment needs and focusing on economic growth; at a time where it is dedicating transparent revenues streams to such purposes; at a time where it is leveraging borrowing though dedicated streams and has in that process limited access to revenue sources as a result of historic legislatively restricted streams available to it; at a time when Winnipeg continues to host the economic engine of Manitoba -- in such circumstances, the City has a justifiable case to make to its public, and to the provincial government.

We believe the timing is not only ripe for such an approach, which in the City's case could be made forcefully based upon its budget and related decisions and directions noted above -- but this approach is legitimate and it has been earned.

We would be willing to further assist.

Respectfully submitted,
MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)

per:

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

City budget exposes fiscal gap

Posted: **11/30/2013**

The Manitoba government raised the PST one percentage point and earned nearly $300 million in new revenue. The city raised property taxes by 2.95 per cent for a grand total of $14.5 million in additional income.

And there's the rub.

The fiscal imbalance between Winnipeg -- the prime generator of economic activity in Manitoba -- and the Selinger government is so wide it seems almost pointless for the city to raise taxes for anything other than keeping up with inflation.

The city's proposed operating budget will dedicate two percentage points of the tax increase to road renewal, while 0.95 per cent will be used to manage the rising cost of government.

Most civic fees, fines and services are also increasing, along with frontage levies and the usual dividend from the water and sewage utility, worth about $20 million this year.

The latter transfer is inappropriate because water rates should not be used to support general revenue, but the city feels it has no choice but to raid the utility. If they didn't loot the water and waste department, the city would have had to raise taxes another four percentage points, or cut services.

Unlike the province, which is averse to cutting services or staff, the city is introducing mandatory unpaid leave of 3.5 days during the Christmas season for non-essential services for an annual saving of $1.5 million. The measure is subject to negotiations with the city's unions.

It is also cutting other staff for savings of $2 million, and budgeting for $14.1 million in savings through vacancy management.

The city also rescinded the dramatic and unwarranted $40,000 increase in councillors' ward representation allowance, which brought them to $114,000 annually earlier this year. The budget proposes a decrease of $37,000, to $77,000.

This is the third tax increase in as many years. Mayor Sam Katz said rate hikes will be the new normal unless the province decides to hand over a single point of PST to the city or open up new revenue sources for the city.

If the mayor runs again next year, it will clearly not include a promise of a tax freeze. That era is over, he said.

About 12 per cent, or $113 million, of the city's $967-million operating budget is derived from provincial and federal coffers, so it's unfair to say senior levels of government have completely abandoned Winnipeg and other municipalities.

But it's not nearly enough and most of the provincial money is linked to its own agendas, such as policing.

Mr. Katz's complaints are not the isolated whining of a single mayor. They are a common refrain in municipalities across Canada, which are struggling under huge infrastructure deficits.

In fact, other cities have raised property taxes at a much faster pace. Between 1999 and 2013, Edmonton's taxes rose 67 per cent, Calgary's 63 per cent, Saskatoon's 54 per cent and Vancouver's 52 per cent.

In comparison, Winnipeg's taxes went up about seven per cent during that time. If attitudes don't change on Broadway, Winnipeg will be playing catch-up for decades.

A 2007 Federation of Canadian Municipalities study said cities needed $123 billion just to save existing infrastructure.

The Conference Board of Canada has also said cities "are not receiving the investment they need to fulfill their role as drivers of national prosperity."

Winnipeg, meanwhile, is heading deeper into debt following a sustained period during which per capita debt declined. By 2018, according to estimates, the city's total per-capita debt, including utilities, will be close to $1,800, the highest it's been in decades.

In financial terms the city is sliding backwards, but there will be no reversal of fortune so long as the city is denied new sources of revenue.

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