MANITOBA HEAVY CONSTRUCTION ASSOCIATION

Groundbreaking

December 1, 2017

To: Coun. Marty Morantz, Chair, and Members of IRPW Committee

From: Catherine Mitchell, Policy Analyst, Manitoba Heavy Construction Association

Subject: 2018 City of Winnipeg Preliminary Operating and Capital Budget

The Manitoba Heavy Construction Association (MHCA) prides itself as an advocate of policies and principles for public investment that reflect the best public interest. These principles have been developed and held for many decades. They sit firmly on a foundational belief that a healthy and growing economy supports the public services and social programs that provide us our globally envied standard of living.

It is through that lens -- economic benefit and growth -- that the MHCA will measure all investment and budgets supporting, especially, infrastructure programs. Those programs should be strategic. They should be permanent, transparent and accountable, and subject to regular review to ensure they are dedicated to purpose and they are meeting objectives.

Numerous economic analyses have shown that transportation, and trade-enabling, infrastructure holds amongst the highest returns on investment. In that light, we welcome the City of Winnipeg's 2018 proposed local and regional street renewal program, and the forecasted five-year funding program attached to it, 2019-2023. This program is a reflection of the priorities of Winnipeggers, who repeatedly rank the condition of the streets as the No. 1 issue, in public opinion surveys.

At the outset, let us stress that we recognize the hard work -- and hard choices -- that Mayor Brian Bowman, Finance Chair Scott Gillingham, IRPW Chair Marty Morantz and the city administration have put into creating this budget, and will have to be made by City Council, ultimately, on December 12.

It is on the matter of hard decisions that the MHCA wishes to comment today. The best illustration of the difficulty faced by the City of Winnipeg is in the fact that the tax-supported Operating Budget has risen, year over year, just 1.2%. That's below the rate of inflation. There are reasons why the City of Winnipeg is hard-pressed to support even inflationary expenditures.

First, it is well-known that municipal revenue sources are limited; property taxes shoulder the mother-lode of the burden for the operating budget. Municipalities, being creatures of the province, are restricted in their ability to levy taxes. Their hands effectively are tied.

Second, they cannot run deficits; their budgets must balance every year. That is not a bad thing, but again -- options for municipalities are limited.

Third, and importantly, it seems there is no limit to the demands placed upon municipal budgets. Specifically, we speak here of the fact that municipalities carry the responsibility for 60% of public infrastructure, while receiving

only 8 cents of every tax dollar collected. Municipalities carry the burden of constructing new infrastructure for a growing economy and population and while infrastructure-investment programs are cost-shared among the levels of government, these agreements do not consider the life-cycle costs of those same assets.

We saw in the 2018 Preliminary Operating and Capital Budget the juggling game that must be played to compensate for the lack of revenues and limited revenue sources against the weight of the demands.

How can those needs be met by a modern, metropolitan city?

Winnipeg cannot do this alone.

We have consistently and will continue to speak about the compelling need for a new fiscal deal between the provincial government and the municipalities, one that engages the federal government as well. This would rebalance the roles, responsibilities and revenue sharing among the governments. Such a new deal would recognize that infrastructure investment programs must consider life-cycle costs; it would recognize that municipalities have a responsibility and a role in strategic investment -- through regional planning and collaboration in agreements that, at times, will assert regional interests over local priorities; it would recognize that municipalities require more diverse means of raising revenues, perhaps through new taxation powers.

In this context, the MHCA welcomes the direction that Mayor Bowman has given to the CFO to examine multi-year budgeting, core service reviews, essentially challenging existing service delivery models in search for both expenditure management and new revenue streams within the city's existing legal capacity.

A new fiscal deal must relieve the municipalities of the need to go cap in hand to Broadway, every year, during budget-planning season. It would lay the ground for program sustainability, predictability and revenue certainty. This challenge, now, is best shown by the pressure that Budget 2018 felt with respect funding for transit services.

A new fiscal deal would allow governments to plan in advance to the meet the needs of the population, and to position themselves to compete in an increasingly competitive, global market. Good transportation infrastructure strategy positions our communities to be nimble to capitalize on emerging trade opportunities.

Manitoba and Winnipeg are not there yet. The infrastructure investment deficit of municipalities in Manitoba was estimated in 2011 to be approximately $13 billion; $7.4 billion for the City of Winnipeg. That was in 2009 dollars. This lies at the heart of the need for policies that target investment programs to hit sustainable funding levels.

We need updated assessment of municipal infrastructure investment deficits. Such information must frame the context of any discussion with higher levels of government about limited and lacking revenue sources. It draws into full relief the magnitude of the problem being discussed.

The MHCA encourages the City of Winnipeg to release publicly the infrastructure investment deficit which we understand is to be ready this fall.

These are just some of the elements that must be addressed to get at the nub of the City of Winnipeg's budgetary challenge.

To conclude, I would like to repeat that you have done a commendable job protecting the local and regional street renewal program in the 2018 Preliminary Operating and Capital Budget. MHCA sees this as a reflection of the respect the City of Winnipeg has for ensuring, despite the challenges.

Thank you.