MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
Unit #3-1680 Ellice Avenue, Winnipeg, Manitoba, R3H 0Z2

March 18, 2020

To: **Executive Policy Committee**
His Worship, Mayor Brian Bowman
Councillor Sherri Rollins
Councillor Brian Mayes
Councillor John Orlikow
Councillor Scott Gillingham
Councillor Cindy Gilroy
Councillor Matt Allard

From: Chris Lorenc, B.A., LL.B.,
President, Manitoba Heavy Construction Association (MHCA)

Subject: **2020 Preliminary Budget - Operating and Capital**

On behalf of the MHCA, the industries it represents and the thousands of women and men it employs, we first want to say thank you to you all, and to those on the Budget Working Group, for your considerable effort in bringing forth the budget this year.

The MHCA recognizes the extraordinary challenges before City Council, given the issues with revenues and the weaker funding participation from Manitoba.

The MHCA regards the four-year operating budget as a very important and necessary first step in the transition toward a new financial management and public budget process.

This is a rigorous exercise in discipline where, unlike higher levels of government, the city is held to a higher standard in the budgeting requirement to balance every year.

But it is also a useful exercise in that it fully illustrates the challenges, and the need to prioritize *investment*, not spending in core services that Winnipeggers expect of its city, programs no other level of government manages or delivers.

With respect to the local and regional streets programs, the decisions were difficult due to the constraints on revenues and the increased demand placed on the reserves that are built through the 2% tax for local and regional streets.

The MHCA extends its thanks to the Budget Working Group for the hard work done to preserve the Local and Regional Street Renewal budget.

Projections are difficult to make at the best of times, given the competing demands and interests City Council must juggle, but they are really tough when – as mentioned – revenue sources are so tight. These circumstances required difficult decisions.

While the program allocated for local and regional streets for 2020 is proposed to be $131.622 million, $20 million of that is funded through an added debt. It will be repaid by an annual charge of $1 million per year, for the next 30 years, against the reserve built by the 2% local and regional streets dedicated tax revenues.

Our budget review shows the local and regional street program will see reduction to the 2020-22 programs. As against adopted 2019 projections, they cumulatively amount to more than $30.5 million occurring largely in 2023-24.[1]

[1] See below '***Budget by the numbers***'

While the budget papers indicate the reductions to the street repair program come primarily due to redirection of gas tax funds to bridges, we also see the use of revenues held in the street renewal reserve to fund bridges. The latter was a result of Council's decision in 2019 to permit the reserves' purpose - without any impact assessment - to be extended to include funding bridge work.

Again, we recognize the pressure on Winnipeg's revenues, and the demands faced for service, including the burgeoning infrastructure investment deficit, which today stands at $6.9 billion, just under half of which is core infrastructure (streets, roads, bridges, sewer and water).

The challenges underscore the need for attention to the city's legislated core responsibilities and priorities. Given the four-year budget respects council's mandate and responsibility to prepare and approve annual operating and capital budgets, we hope annual program decisions reflect the priority needs of our streets and roads.

That will be very difficult, for no municipality can shoulder alone the burden of infrastructure investment and maintenance - municipal funding sources are simply inadequate to the task. The financial assistance of higher levels of government is fundamentally critical to address municipal infrastructure investment deficits.

And the budget challenge is made harder as the provincial government, which, other than the accelerated regional streets program, cancelled in 2018 its long-standing practice to cost share multi-year road funding agreements.

To address the disparity in revenue resources and the burden of infrastructure investment, the MHCA offers four planning recommendations.

None of the recommendations affects the 2020 Preliminary Budget. They help shape the context for discussions heading into budget year 2021 and beyond.

> First, request an administrative report within 180 days, updating with recommendations to achieve long-term sustainable funding for local and regional streets, and a parallel strategy for the city's bridges.
>
> Second, press the province to renew the five-year roads funding agreement that recognized the need for support and meaningful provincial investment in the city's transportation infrastructure.
>
> Third, advance a 'from the ground up' review of the roles and a responsible sharing of the funding burden between Manitoba's municipalities and the province, and by extension Ottawa.
>
> And fourth, press the federal government to permanently double the gas-tax fund revenues shared with municipalities increased annually by 2-3.5% to meet inflation and growth, all as advocated by the FCM. It made sense in 2019. The need is no less today or tomorrow.

We urge support for the 2020 Preliminary Budget recommendations. We also respectfully ask you to refer the recommended planning next steps for Council's favorable consideration, as a demonstration of Council's collective plan to succeed.

Thank you again for the work invested in shaping the 2020 Preliminary Budget.

Regards,



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

Budget by the numbers

Local and Regional Street Renewal Program 2020 vs. 2019 six-year forecast

(thousands)	2019	2020	2021	2022	2023	2024	2025
2020 Local		56.936	54.578	62.778	63.663	73.178	90.466
2020 Regional		73.386	96.438	98.638	72.338	50.917	53.638
Total		130.322(ii)	151.016	161.416	136.0	124.09	144.104
2019 Local	41.898	58.236(iii)	57.698	63.898	74.898	86.298	
2019 Regional	64.538	73.386	96.438	100.638	72.338	51.538	
Total	106.436(i)	131.622(iii)	154.136	164.536	147.236	137.836	
Change '19 to '20		-1.3	-3.12	-1.132	-11.236	-13.765(iv)	

(i) Includes federal gas tax up of +/- $20 million added after the budget was adopted

(ii) Includes $20-million additional debt funded by annual $1 million servicing charge (30 years or $30 million) against the 2% dedicated local and regional streets tax; $20-million federal gas tax removed

(iii) Includes planned $20-million federal gas-tax revenues

(iv) Cumulative reduction over five years: $30.553 million