MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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December 10, 2020

Presentation to: **Executive Policy Committee**

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

Subject: **2021 Preliminary Operating & Capital Budgets**

The MHCA and the industries it represents are pleased to support the 2021 Balanced Budget Update.

We acknowledge and appreciate the difficult challenge the mayor and all members of council have before them to deal with falling revenues because of 2020 pandemic impact on the economy.

The 2021 draft budgets for the local and regional street repair programs largely confirm the projections for those programs, 2021- 2024. We sincerely thank you for your involvement and support to date.

Our recommendations support your forward, budget-planning thinking. They focus on strategic financial planning to put Council in a stronger position as it prepares for annual and forecasted budgets, going forward.

They speak to identifying the requirements of our transportation system and putting in place a sustainable funding model supported by appropriate cost-shared infrastructure agreements with senior governments, reflecting their greater access to revenue sources than those of municipal government.

Getting to that stronger ground is critical. As you are acutely aware, it is prudent to develop fiscal and budget strategies such that the City is capable of meeting unexpected, sometimes grave financial challenges.

I won't review all the budget challenges that came to the City's doorstep in 2020, which have impact in future years.

However, to give context to our recommendations, I want to point out the long-term, structural funding pressures that have developed from a series of decisions in recent years -- the impacts of which are profound.

Those decisions, in no special order are:

- Reducing as of 2023 the dedicated annual tax for regional streets to 0.3%, from 1% annually
- Funding bridge renewal out of the regional street reserve, from that same soon-to-be reduced tax
- Eliminating all cash-to-capital funding for the street programs
- Reducing federal gas-tax funding for streets
    - less than 10% ($25.3 million) of the 6-year total gas-tax revenues ($298.8 million) goes to streets
- Reducing frontage-levy funding for streets
    - The frontage levy was identified in the original design of the local and regional street renewal program as a substantial and core revenue source of long-term funding for street repair
    - The 6-year frontage levy total is $60 million, of which only $2.329 million will go to streets

Rounding out the context, Council

- reduced the regional street dedicated tax to increase the dedicated local street tax to 1.7%
- shifted gas tax and frontage levy funding to bridges and overpasses

Our caution, of course, is that the shifting of revenues among the programs is done amid limited and often unpredictable funding sources. This will become very apparent in 2023, when the accelerated regional streets renewal program sees the end of the New Building Canada Fund deal.

To assist in decision-making on a viable, long-term street renewal strategy, we strongly urge the City conduct a global review that looks at the core infrastructure investment deficit and the funding sources available to the City.

With the full picture of the needs and funding capacity, Council can then fully consider how to move forward with strategic, incremental and sustainable investment in its streets, roads, lanes, sewer & water, and bridges. This is essential to ensure we have the transportation network required to underpin the economic growth so necessary to meeting the needs and demands of a population expected to approach 1 million residents in the not-to-distant future.

The necessary focus on economic growth is why the MHCA was particularly pleased to see in the budget documents, Council's intent to prioritize investments through an economic development and growth lens. The opening of the Economic Development Office, aside from the immediate benefit its coordination role will provide, can serve to elevate that economic focus.

Further, the MHCA supports the IRPW motion before EPC this morning asking that the Public Service be directed to update the condition/needs assessment of our transportation system, and the sustainable funding levels required for the replacement and renewal of roads and bridge infrastructure.

The motion also asks the Public Service to report on recommended desired technical levels of service, based on "percent condition targets" for streets and lanes. The MHCA would like to understand what is envisioned by "percent condition targets."

As you are aware, the City now rates street condition as "good, fair, poor and very poor." We encourage you to engage in a full consultation process to inform Winnipeggers of the criteria for that rating system, and how it might influence or change, should the City move to a percentage condition rating.

We are glad, as well, to support the IRPW's request that Winnipeg join the Federation of Canadian Municipalities call to make the doubling of revenues from the federal gas tax permanent. This recognizes the necessity of other levels of government to support municipal infrastructure investment through predictable, growth-tax revenues. There is good support in the business community for this in Manitoba and across Canada. We are able and would be pleased to help marshal its engagement.

In closing:

- We reiterate our support for the 2021 preliminary Operating and Capital Budgets, the update of the 4-year budget plan, and the capital program it has laid out in the annual and five-year forecast.

- We congratulate the City for investing in the Economic Development Office, which will help prioritize capital investments so a growing economy can continue to generate the revenues to fund the core, social and cultural services and quality of life Winnipeggers deserve; and

- We strongly urge EPC to endorse the IRPW motions.

Respectfully submitted,

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President, MHCA