MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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December 10, 2020

Presentation to: **Executive Policy Committee (EPC)**
Mayor Brian Bowman
Councillor Matt Allard, Chair, Infrastructure Renewal & Public Works
Councillor Jeff Browaty, Chair, Innovation and Economic Development
Councillor Scott Gillingham, Chair, Committee on Finance
Councillor Cindy Gilroy, Chair, Property and Development, Heritage & Downtown
Councillor Brian Mayes, Chair, Water & Waste, Riverbank Management & Environment
Councillor Sheri Rollins, Chair, Protection, Community Services and Parks

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

Subject: **2022 Preliminary Operating & Capital Budgets**

The MHCA is pleased to support the 2022 Balanced Budget Update.

We acknowledge and appreciate the difficult challenges the Mayor, the Budget Working Group and all members of Council have before them to deal with falling revenues due to the pandemic's impact on the economy.

The 2022 draft budgets for the local and regional street renewal programs largely confirm the projections for those programs, 2022-2025.

To context our presentation, we wish to remind that the MHCA's long-standing approach to budget structures is based on two foundational pillars:

- *The first*, is a focus on growing the economy to enable revenue growth with which to address ever growing and changing service demands; and
- *The second*, is a socially progressive and environmentally responsible agenda.

The pandemic's economic impact is forcing difficult decisions this year, which we understand. We would like to address one in particular.

The 1 + 1% annual tax increase adopted in 2013 and 2014 is the backbone of a carefully considered and developed strategy to address the investment deficit in city local and regional streets. It was to provide the ongoing revenue base to bring the street renewal program to sustainable funding levels, by approximately 2022.

Taxpayers understood their streets needed significant reinvestment and accepted the annual tax increase on the basis that the revenues were dedicated to a reserve for the express purpose of fixing their roads.

There have been numerous changes to that financing plan, the shifting of priorities and movement of funding sources to other purposes, since 2013/14, such that the timeline for sustainability will now not be met.

This year, however, the revenues from the 2% dedicated tax increase are being diverted to the City's Operating Budget, to offset a significant drop in revenues, primarily from Transit and parking. It is being recovered by an equal allocation from the federal gas-tax program. The rationale for this is that the federal gas tax funding cannot be used for Operating Budget purposes.

As noted, at the outset, we understand these are extraordinary circumstances, requiring extraordinary measures. And we are willing to rely on the assurances of the Mayor and Chair of the Finance Committee, and the language within the budget documents that indicate this is a one-time-only occurrence. The local and regional street renewal budget forecasts reflect this (Supplement to the 2022 Preliminary Budget, Pages 12, 17).

All of the above underscores the critical necessity of a strategic, reliable infrastructure investment plan to our city's economic prospects.

We are pleased to see this reflected in some funding elements which reflect a focus on economic revival, within the 2022 Preliminary Operating and Capital Budget:

- An *Economic Response and Recovery Plan*, focused largely on the downtown and for those hardest hit by the impact of the pandemic on the economy.
  - The Plan notes that infrastructure investment is key to immediate and longer-term return on investment, including the creation of jobs
- The development of a *phased Strategic Infrastructure Plan for Social and Economic Development*. It begins with mapping out the capacity of water and sewer, initially in the downtown area and then beyond, to ensure that growth is accommodate and Winnipeg is regarded as a city of opportunity
  - Future phases look at the development of new communities and neighborhoods, and at trade and commerce-enabling infrastructure to ensure our roads and bridges can support a growing population and the demand for services and goods that inevitably follow.
- $20 million - being the city's 1/3rd share - for water and sewer services in the first phase of the *Airport Area West*, to prepare for development, attracting the attention of investors and locators

You are all to be applauded for the financial plan's focus on economic growth and prosperity because in the current economic circumstances, the need to focus on immediate ROI to GDP is critical for everyone.

As is well documented, infrastructure investment provides the highest and most immediate ROI to GDP; it puts people to work now; they spend in the local economy and generate tax revenue to governments. Those revenues make possible the provision of critical core services and the social/cultural programs and amenities that make a city truly a great place to live.

Budget 2022 is also the third year of Council's first four-year budget plan. We submit the multi-year budget approach has proven its value, through 2020 especially and again this year. It provides a road map in forecasts and dedicated revenue streams that were relied upon to deal with immediate and projected challenges from the pandemic's economic impact.

A multi-year financial plan is also important to seeing full value of every program budget returned to the City.

We encourage your Committee and ultimately Council to stay the course on the multi-year budget: long-term infrastructure investment plans support ongoing employment and economic growth; they allow industry to plan their businesses, set up supply/materials contracts and stabilize their work forces. This returns best price to the City in its tenders, increasing the value of an annual program budget.

The 2021 Citizen Survey shows that street condition was the most cited issue by respondents when asked about value for tax dollar, and it virtually tied for top response when asked about the main issue in quality of life.

Respectfully, the next 4-year budget must **set out a sustained, sustainable infrastructure investment plan**. In particular, the regional renewal program, post-2023, needs attention:

- **In 2023, the Local & Regional Renewal Program budget falls by $25 million to $136.9 million, and then again in 2024 by $16 million to $121 million.**

        - The regional program will see a total reduction of $54.4 million over two budget years - *53% less* than 2022's budget; the regional streets system carries 80% of the traffic
    - In 2023, the regional street program's revenues from the dedicated annual 1% tax will fall to 0.3%, shifting the 0.7% to local streets program.
    - 2023 marks the last year of the federal and provincial contribution to the accelerated regional street renewal program; In 2024 that program sees a $25.4 million decrease.

Despite its $1.9-billion road investment deficit, Winnipeg lacks a long-term financing plan to ensure the local and regional streets are renewed, supported by sustainable budgets.

- **As mentioned above, the City has drifted** significantly from the 2013/2014 plan(s) upon which the 1+1% annual tax hikes were implemented.
    - For example, budget forecasts for L&R shows dramatic shortfalls against the original 1+1% plan ($44 million in 2023; $74 million in 2024).

To repeat: We understand the necessity of using the revenues from the dedicated local and regional streets 2% tax increase this year for the operating budget. However, the value of strategic infrastructure planning, which is without question an economic driver, is predicated on having reliable and efficient trade corridors to move people to jobs and goods to market.

- The 2022 Budget's forecasts for renewal of regional roads – existing and required new routes, such as the completion of Chief Peguis Trail – run contrary to sound investment planning
- There is no successor shared-funding agreement to replace the 2019 New Building Canada Fund deal with the federal and provincial governments. City Council should press for a new deal for accelerated regional road investment.

Finally, I would like to make special note of recent deliberations of this Committee, regarding Active Transportation investments. Our industry supports transportation by all modes.

Let us however remember, that the local and regional street reserve was never contemplated to be the solution for all funding challenges. The inclusion of financing of AT and bridges and structures cannot reduce the capacity of the local and regional renewal reserves to fund street renewal.

If AT is to be included in the L&R Street Renewal Program - and that does make sense - then the program's funding parameters, revenue streams and long-term objective require updating.

As for bridges and structures, given the capital need intensity, they require a separate condition, needs and funding assessment and plan.

MHCA RECOMMENDATIONS for the 2022 Preliminary Operating and Capital Budget
Accordingly, the MHCA proposes for inclusion as part of the budget motions, the additional planning and growth enabling recommendations which help preserve existing assets, under the following four categories:

GROWING THE ECONOMY

1. Focus on a strategic infrastructure investment plan, leveraging the immediate and long-term returns to the GDP of such investment to support operating revenues for critical services and programs
2. Commit to working with the Winnipeg Metropolitan Region (WMR) and the provincial government to **implement a Capital Region economic growth plan**, to benefit all constituent communities.

SUCCESSOR AGREEMENTS WITH SENIOR LEVELS OF GOVERNMENT

3. Press the provincial government to enter into a ***'new fiscal deal'*** with municipalities.
4. **Press for a successor plan to the accelerated regional road program** (currently ending 2023) with funding partnership from the provincial and federal governments.

STRATEGIC INFRASTRUCTURE PLAN

5. **Task a stakeholder group** resourced by Public Works, the Office of Economic Development & Growth, and such others as appropriate, to recommend a detailed *Strategic Infrastructure Plan*[1] addressing at minimum:

    a. Targeted, strategic goals, including mode shift, induced demand, and inverted mobility considerations.
    b. Identify where growth can/will occur by explaining the locational or strategic importance associated with infrastructure improvements and how they will help grow Winnipeg's tax base.
    c. Define an appropriate "level of service" that the system should be designed to provide, the scale of required investment to achieve and maintain it.
    d. Prioritize projects that will provide the best ROI to GDP.
    e. Identify potential external funding sources (fed/prov/private sector/other); and
    e. Implementation strategy.

UPDATE TRANSPORTATION SYSTEM CONDITION, NEEDS AND SUSTAINABLE FUNDING MODEL

6. **Task Public Works** to recommend for the 2023-2024 budget deliberations:

    a. **An updated assessment** of the condition and needs of local and regional streets (active transportation, including bicycle lanes and dedicated bus lanes), and separately, bridges and structures.
    b. An updated **Local and Regional Streets Renewal Program** (including AT) with continued dedicated revenues and investment strategy, including external funding sources - fed/prov/private sector/other.
    c. A new stand-alone **Bridges & Structures Investment Program**, with its own dedicated revenues and investment strategy, separate and apart from the Local and Regional Streets Renewal Program; and
    d. **An Implementation strategy.**

We respectfully request that motions supporting the above categories be included in motions adopting the 2022 Preliminary Operating & Capital Budgets.

Respectfully submitted,

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

[1] See also attached City needs a real, detailed infrastructure plan authored by Lanny McInnes *president and CEO of the Manitoba Home Builders' Association and the managing director of the Urban Development Institute of Manitoba* published in the October 22, 2021, edition of the Winnipeg Free Press.

City needs a real, detailed infrastructure plan –

Winnipeg Free Press, October 22, 2021

LANNY MCINNES

BUILDING a home that can last for generations starts with a strong foundation.

When the City of Winnipeg approved its new 25-year development plan titled OurWinnipeg 2045 and the supporting Complete Communities Direction Strategy city-wide secondary plan document in June, the Manitoba Home Builders' Association, representing the residential construction industry, and the Urban Development Institute of Manitoba, representing the professional land development industry, argued that the foundation needed for building and implementing a successful development plan for Winnipeg is a comprehensive, strategic infrastructure plan.

City council agreed and directed that a strategic infrastructure plan be prepared to help inform the implementation of the Complete Communities strategy. While the City of Winnipeg's "2020 Infrastructure Plan" has some important and useful information in it, the document itself is not a strategic infrastructure plan. The 2020 document is a listing of infrastructure projects, many of which are over-engineered or simply replacements for antiquated infrastructure, with no true direction on actual implementation.

To be a foundation upon which Winnipeg's 25 year development plan can be implemented, our city's strategic infrastructure plan will need to be much more than simply a list of projects the city needs. Rather, a fulsome and strategic infrastructure plan would include a number of key components currently missing from the city's 2020 Infrastructure document, including:

- Identifying the specific, targeted goals and objectives of the strategic infrastructure plan;
- Identifying where growth can/will occur by explaining the locational or strategic importance associated with infrastructure improvements and how they will help grow Winnipeg's tax base;
- Clearly defining an appropriate "level of service" for Winnipeg that the infrastructure is designed to provide, and identifying the scale of infrastructure improvements appropriate for a city of our size and character;
- Identifying where the "low-hanging fruit" is and providing guidance and rationale on what projects will provide the best return-on-investment (ROI) for the City of Winnipeg;
- Identifying where the City of Winnipeg can leverage other resources or funding partnerships (in particular, private investment); and
- Identifying how the plan will be implemented to achieve the goals and objectives.

We are not aware of this type of strategic infrastructure plan ever being undertaken by the City of Winnipeg. Preparing this kind of plan is not easy, but it is needed.

The city's current population forecasts estimate that Winnipeg's population will grow to a million people within the next 25 to 40 years. Is there an understanding as to what strategic infrastructure is needed to accommodate that level of growth? Where will the city get the greatest ROI for its limited infrastructure budget?

Where can the city leverage funding from other levels of government and, perhaps more importantly, private investment? How will the city's strategic infrastructure plan align with the Winnipeg Metro Region's "Plan 2050" overall regional planning document? These are all key questions that the city's strategic infrastructure plan must answer.

Finally, implementation is a key component to any successful plan. How are we going to implement the plan while still achieving the greatest ROI, still maximizing tax base growth, and while leveraging the greatest private investment? The city's 2020 infrastructure document does not answer these fundamental questions.

This issue can no longer continue to simply be “passed down the chain” by council to the administrative staff who seem to be recycling a list of projects that have been “on the radar” for the past two decades. Our continued economic growth, along with our population growth, is dependent on getting this right.

The development and implementation of a strategic infrastructure plan for our city will need strong leadership from both city council and the public administration. With the next municipal elections one year away, we will be calling on all candidates vying to become Winnipeg’s next mayor or running for council seats to champion this work and be accountable for its completion.

Winnipeg’s next mayor and council must make implementing a true strategic infrastructure plan — the foundation upon which our city’s future growth and prosperity will be built — a top priority for Winnipeg’s next council.

Lanny McInnes is the president and CEO of the Manitoba Home Builders’ Association and the managing director of the Urban Development Institute of Manitoba.

2021 October PR/ City needs a real, detailed infrastructure plan WFP Oct 22, 2021