2023 Preliminary Budget Update

Comments, Concerns and Recommendations about Trades Route Corridors Planning and Design

Executive Policy Committee Meeting
March 16, 2023

Ken Klassen, C.E.T.

Introduction

PUBLIC WORKS - GENERAL CAPITAL FUND

Project Name: **Trade Route Corridors - Planning and Design**

Standing Policy Committee: Public Works

Department: Public Works
Project: 1803000123

Service: Transportation Planning and Traffic Management
OurWinnipeg: City Building

AUTHORIZATION	Previous Budgets	2023 Estimate	FORECAST 2024	2025	2026	2027	2028	Five-Year Forecast Total	Six-Year Total
Project Costs ($000's)	-	2,800	-	-	-	-	-	-	2,800
Financed by:									
Frontage Levy		2,800							2,800

CASH FLOW	2023	2024	2025	2026	2027	2028	Beyond 2028	Total
Project Costs ($000's)	2,380	420	-	-	-	-	-	2,800
Financed by:								
Frontage Levy	2,380	420						2,800

NET OPERATING IMPACT ($000's)	2023	2024	2025	2026	2027	2028
Operating costs						
Debt and finance charges						
Transfer to General Capital Fund						
Total Direct Costs	-	-	-	-	-	-
Less: Incremental Revenue/Recovery						
Net Cost/(Benefit)	-	-	-	-	-	-
Incremental Full Time Equivalent Positions	-	-	-	-	-	-

Class Estimate: Not applicable, as this is a program

Funds will support the development of post-preliminary design work for priority major capital transportation infrastructure projects to address priority transportation network improvements. The post-preliminary design work may include value for money assessments for evaluating alternative project delivery methods which may include traditional design/bid/build, design/build, public private partnership, and/or construction management delivery methods.

Project selection will be determined through the investment prioritization process in keeping with asset management best practices.

Work will not commence until a class 3 estimate is obtained.

Source: Supplement to the 2023 Preliminary Budget – Volume 3, page 55, City of Winnipeg, February 2023.

Introduction

- Proposed Route 90 expansion and…
  (from Ness Avenue to Taylor Avenue plus St. James Bridge)



Introduction

- …Chief Peguis Trail West Extension
  (from Main Street to Brookside Boulevard)



Project Background:
Capital Costs and Fiscal Impacts

Projected Capital Costs

- Most expensive transportation projects in Winnipeg's history
  - Route 90 Expansion
    $500-million (Class 5 estimate, 2020$)
  - Chief Peguis Trail Extension
    $471-million (Class 3 estimate, 2020$)
    $598-million (Class 3 estimate, 2027$)

Source: Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.

Total Costs Over 30 Years

- With financing plus operation/maintenance expenses, combined projected total cost is **$2.4** to **$2.7-billion**
  - Route 90 Expansion
    $38.7-million/year x 30 years = **$1.2-billion**
  - Chief Peguis Trail Extension
    $38.6-million/year x 30 years = **$1.2-billion**
    $48.5-million/year x 30 years **= $1.5-billion**

Source: Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.

Equivalent Property Tax Increase

- Equivalent to combined property tax increase of about **14%** to **16%** for **30 years** (based on 2019 rates)
  - Route 90 Expansion:
    $38.7-million equivalent to **6.9%** increase
  - Chief Peguis Trail Extension:
    $38.6-million equivalent to **6.9%** increase
    $48.5-million equivalent to **8.7%** increase

Source: Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.

Federal funding unlikely

- Route 90 expansion **rejected twice** under:
  - Building Canada Fund (2015); and
  - National Trades Corridor Fund (2018)



Federal funding unlikely

- Positive cost-benefit and transparency essential

H. Cost-benefit analysis

The CPP must demonstrate a sound analysis of the anticipated safety, efficiency, environmental, social, and international trade and commerce benefits of the project. If applicable, provide a summary of the cost-benefit analysis for the project, including:

- a description of the methodology used for the cost-benefit analysis
- a statement of the major benefits of the project (such as travel time savings, reduced safety costs, expanded capacity, sustainable development, how the local and/or regional community (both businesses and residents) benefit from the project etc.)
- net present value, internal rate of return and net cost-benefit ratio
- an evaluation period (use 30 years) and discount rate (use 10%); and
- a sensitivity analysis

4. The cost effectiveness of the Proposal and the commitment to transparency.	• Assessment of: cost-benefit analysis and resulting ratio; total cost of project relative to expected trade and transportation performance improvements; comparative costs of the different scenarios considered to address the problem (including the status quo scenario); commitment to share project data publicly to demonstrate the benefits of the investment to multiple users
	• **Strong proposals will have a benefit-cost ratio greater than one, and demonstrate that a number of alternatives have been considered to address the problem and that the anticipated benefits of the project to the trade and transportation system will be shared among multiple users and outweigh the investment to be made by the federal government**

Source: National Trades Corridor Fund Applicant's Guide, accessed March 14, 2023, Transport Canada.

Federal funding unlikely

- Unrealistic to anticipate significant additional federal infrastructure funding beyond existing commitments
  - Federal fiscal capacity will be limited for years
  - Preference give to smaller requests (under $50-million) by National Trade Corridor Fund

Plunging revenues and sky-high deficits could turn catastrophic for Canadian governments, report warns

'Governments in Canada will struggle over the near and longer terms to dig themselves out of this gigantic fiscal hole'

Freeland sets March 28 budget date as economists urge finance minister to curb spending

Sources:

1. Challenges Ahead: Canada's Post Pandemic Fiscal Prospects, February 2021, Conference Board of Canada.
2. Freeland sets March 28 budget date as economists urge finance minister to curb spending, The Globe and Mail, March 10, 2023.

No sign of provincial funding either

- No funding for Route 90 or Chief Peguis Trail in province's five-year transportation capital plan
  - Provincial revenue for transportation funding being eroded by:
    - 11-year tax freeze on gasoline and diesel fuel;
    - reduction in vehicle registration fees; and
    - increasing fuel economy standards and growth in electric vehicles



Manitoba NewsRelease

March 13, 2023

MULTI-YEAR INFRASTRUCTURE INVESTMENT STRATEGY
DETAILS PLANNED HIGHWAY, WATER CONTROL, NORTHERN AIRPORT CAPITAL PROJECTS

Initiatives Build On Transportation and Trade Gateways to Ensure Manitobans Safe, Sustainable Infrastructure: Piwniuk

Manitobans will soon be able to travel to Ontario on four-lane highways and **travel the Perimeter Highway without stopping as part of a $4.1-billion, multi-year infrastructure strategy,** Transportation and Infrastructure Minister Doyle Piwniuk announced today.

The massive plan details more than 800 approved capital projects planned for the next five years to improve provincial highway, water control and northern airport assets throughout the province. It includes over $2.5 billion for highway infrastructure **including $560 million to improve Manitoba's key trade and commerce routes grid and nearly $280 million to upgrade Winnipeg's Perimeter Highway to freeway standards. Once complete, this initiative will improve safety by adding interchanges and overpasses at all roadways and railway crossings.**

Source: Budget 2023, March 7, 2023, Government of Manitoba.

Cost-Benefit Analysis: Mandatory or Just a Good Idea?

The Big Move: Investing in Transportation and Our Economy

"Sometimes, you have to make an investment to get the return on that investment."
Scott Gillingham, September 12

PROCEED TO UPGRADE TWO NEW TRADE ROUTES

- ✓ As Mayor, Scott will lead City Hall to proceed with delivery of the Route 90 Kenaston widening (between Ness and Taylor), and the Chief Peguis Trail Extension from Main Street to Route 90. Both projects are critical to goods and freight movement from key Winnipeg industrial parcels, and the Route 90 widening is needed to integrate new developments expected at the old Kapyong Barracks site into the City's road grid.
- ✓ Delivery will proceed in four steps: updating designs and cost estimates, completing a business case study to confirm a return on investment for the City's economy, confirming joint federal and provincial financing, and completing and executing bids for each project. As Mayor, Scott will lead City Council through those steps between 2023-2026 with the goal of having tenders done and shovels in the ground in 2026.

Source: Building a Stronger Winnipeg - Scott Gillingham for Mayor, October 11, 2022.

Cost-Benefit Analysis

- No clear commitment in proposed budget to conduct a new, updated cost-benefit analysis
  - 'Post preliminary design work may include **value for money assessment for evaluating alternative project delivery methods**' is not a substitute for a proper cost-benefit analysis

PUBLIC WORKS - GENERAL CAPITAL FUND

Project Name: **Trade Route Corridors - Planning and Design**

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Project selection will be determined through the investment prioritization process in keeping with asset management best practices.

Work will not commence until a class 3 estimate is obtained.

Source: Supplement to the 2023 Preliminary Budget – Volume 3, page 55, City of Winnipeg, February 2023.

Cost-Benefit Analysis

- No clear commitment in proposed budget to conduct environmental assessment
  - Numerous unresolved issues related to impacts on human health and natural environment (e.g., increased air pollution, GHG emissions, safety, noise, vibration issues, impact on Assiniboine River crossing, etc.)
  - Difficult to secure funding from senior levels of government without studying and addressing these issues
  - **Environmental assessment has been conducted for Chief Peguis Trail Extension, why not Route 90 expansion?**

Sources:
1. Supplement to the 2023 Preliminary Budget – Volume 3, page 55, City of Winnipeg, February 2023.
2. Chief Peguis Trail Extension West From Main Street to Brookside Boulevard Executive Summary, March 2019, WSP.

Cost-Benefit Analysis

- Alternative budget wording:

Funds will support post-preliminary planning and design work for the (1) proposed widening of Route 90 from Ness Avenue to Taylor Avenue (including both spans of the St. James Bridge); and (2) proposed extension of the Chief Peguis Trail from Main Street to Brookside Boulevard.

This work will begin with an independent cost-benefit analysis, using industry best practices, of both projects. In addition, a comprehensive, independent environmental impact assessment will be conducted for the proposed widening of Route 90. (NOTE: An environmental assessment has already been completed for the Chief Peguis Trail Extension.)

Additional design work will be limited to that necessary to produce updated Class 3 capital estimates and information necessary for the cost-benefit analysis of both projects and the Route 90 environmental impact assessment.

Projects which result in a positive benefit-cost ratio (and an acceptable environmental impact assessment in the case of the proposed Route 90 widening) will be evaluated for delivery using alternative project management methods including (1) traditional design/bid/build; (2) design/build; and (3) public/private partnerships.

Project selection for construction will be determined through an updated investment prioritization process in keeping with asset management best practices.

Cost-Benefit Analysis is Mandatory

- Civic policy requires full cost-benefit analysis for all major capital projects
  - First appears in **Strategic Infrastructure Reinvestment Policy** (SIRP) adopted unanimously by Council on July 27, 1998

Source: Strategic Infrastructure Reinvestment Policy Report & Recommendations, May 15, 1998, SIRP Task Force.

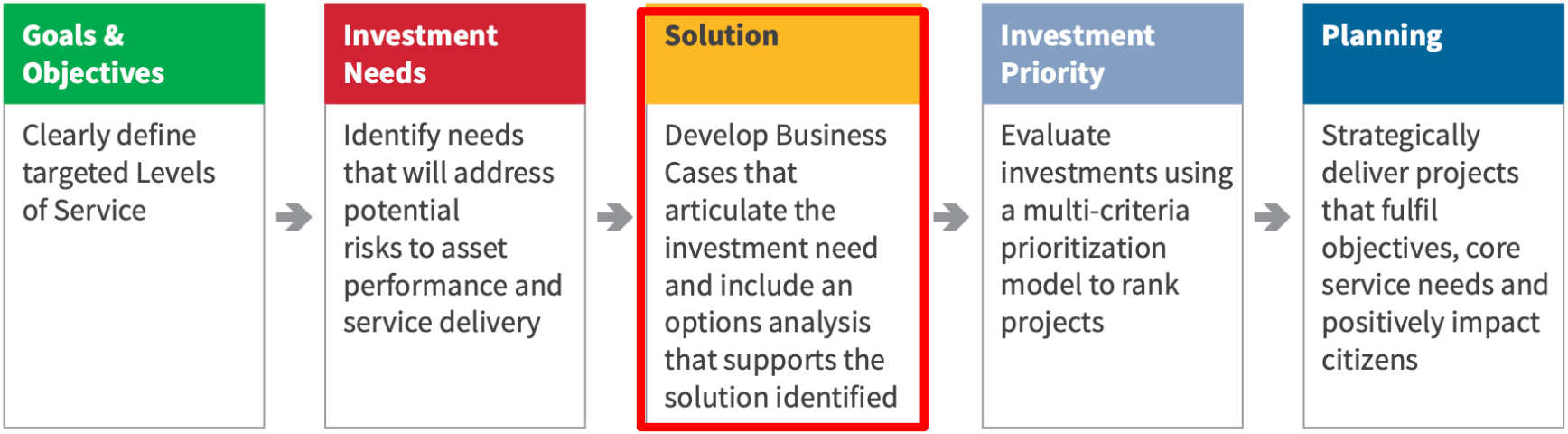
Cost-Benefit Analysis is Critical

- Key SIRP funding and recommendation:
  - **Insufficient Analysis**
    …important public policy decisions on the provision of new infrastructure elements are infrequently accompanied by detailed analyses of financial impacts into the future…
  - **Cost/Benefit Analysis**
    "*That any new publicly-funded infrastructure project be accompanied by a cost/benefit analysis which establishes its need and sustainability to* ***clearly justify its construction****. "*

Source: Strategic Infrastructure Reinvestment Policy Report & Recommendations, May 15, 1998, SIRP Task Force.

Investment Planning Framework

- City's Asset Management Program and Investment Planning Framework:
  - Five-step process that departments must use to "…*justify investments, clearly articulate needs and* ***weigh the costs and benefits*** *associated with competing priorities*."



Source: City of Winnipeg 2020 Infrastructure Plan, December 2019.

Investment Planning Framework

- Major problems with current prioritization method
  - Points-based 'Multi-Criteria Decision Analysis' method, is not a true cost-benefit analysis
  - Fails to disclose critical financial information to Council and taxpayers about whether major transportation projects are a wise investment (e.g., Benefit-Cost Ratio, Net Present Value, Internal Rate of Return)
  - Poorly understood by Council and taxpayers

BENEFIT POINTS EQUATION

$$\{(\text{LOS Benefits} + \text{Strategic Alignment}) \times \text{Service Usage} \times \text{Service Impact}\} \times \text{Service Importance} = \text{Total Benefit Points}$$

Source: City of Winnipeg 2020 Infrastructure Plan, December 2019.

Investment Planning Framework

- Review and update before next four-year budget!
  - Hasn't been updated since 2013
  - Doesn't reflect important new policies and opportunities, especially **Community Energy Investment Roadmap** (2022) **Climate Change Action Plan** (2018) and

The City is currently reviewing and updating its asset management prioritization model, which has been in use since 2013. Once the revised version of the asset management prioritization model is complete, the City will further assess unfunded major capital projects.

Source: Unfunded Major Projects Capital Projects Detail, May 2019, City of Winnipeg.

Proposed Route 90 Expansion: Reality Check

Cost-Benefit Analysis

- Confusion about whether project has been subjected to a cost-benefit analysis
  - Preliminary cost-benefit analysis completed in **April 2012** by MMM Group
  - Some updates for National Trades Corridor application submitted in **November 2017**
  - Only released in response to a Freedom of Information and Protection of Privacy Act (FIPPA) application

Sources:
1. Final Report: Preliminary Design & Public Consultation for Route 90, MMM Group Limited, April 2012.
2. FIPPA Application Number 16 05 477, June 2, 2016.
3. FIPPA Application Number 18 06 537, June 7, 2018.

Incremental Cost and Net Benefits

- Majority but not all project costs are due to expansion
  - Necessary costs to maintain or rehabilitate existing infrastructure were excluded from analysis by MMM Group.
  - Net present value of benefits of expansion from 2012 analysis: **$125-million** over **20 years** or about **$6.3-million per year**

Source: Final Report: Preliminary Design & Public Consultation for Route 90, MMM Group Limited, April 2012.

Projected Capital Costs

- Extraordinary increase in projected capital cost compared to CPI and construction inflation
  - 2009: $129-million
  - 2015: $375-million, **290% higher**
  - 2018: $450-million, **348% higher**
  - 2020: $500-million, **388% higher**

  (2009 to 2020 Consumer Price Index: **21% higher**)

Sources:

1. Report: Approval of the Preliminary Design for the Widening of Route 90 Between Ness and Taylor, Meeting of Standing Policy on Infrastructure Renewal and Public Works, June 29, 2011.
2. Council Seminar: Building Canada Fund Application Additional Information on the Projects, March 24, 2015.
3. Route 90 Improvement Study (2018), City of Winnipeg.
4. Unfunded Major Projects Capital Projects Detail, May 2019, City of Winnipeg.
5. Inflation Calculator, Bank of Canada.

Benefits Clearly Do Not Exceed Costs!

- Economic rationale for proposed Route 90 expansion has **completely collapsed** due to soaring costs
  - Costs are about **$38.7-million/year** ($1.2-billion over 30 years, 2020$).
  - Discounted user benefits are about **$6.25-million/year** ($125-million over 20 years, 2012$).
  - Benefits do not come anywhere close to *'clearly exceeding the costs*' even with adjustments to assumptions (i.e., reduce costs to those only associated with expansion; apply discount factor to costs; and adjust user benefits for inflation and analysis period).

Sources:
1. Final Report: Preliminary Design & Public Consultation for Route 90, MMM Group Limited, April 2012.
2. Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.

Lack of Transparency

- Lack of transparency sharing results of preliminary and updated cost-benefit analysis with Council and public
  - Excluded from numerous opportunities including (but not limited to):
    - Public consultation program held in 2012 and 2018
    - ‘Documents’ posted on project website
    - Council seminar for ‘additional information about projects’ for Building Canada Fund application

Trade Corridor Importance Has Shrunk

- Several factors erode claim that Route 90 expansion is essential to improve access to CentrePort Canada
  - Most significant source of large truck traffic, CN Intermodal Terminal, has moved to Symington Yards
  - Upgraded Perimeter Highway, coupled with CentrePort Way, will further divert Route 90 truck traffic between Taylor Avenue and St. James Bridge

CENTREPORT CANADA

CN marks opening of Winnipeg intermodal terminal

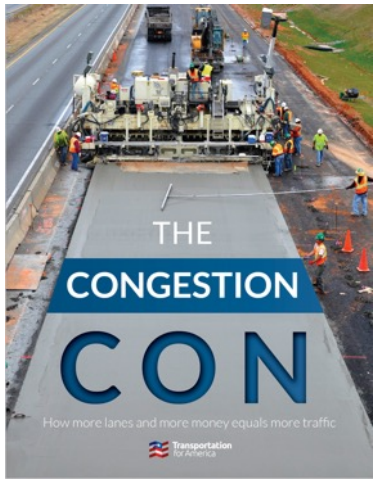
CN yesterday held a ceremony to mark the opening of a new $16 million Winnipeg intermodal terminal at Symington Yard on the eastern side of the city.

The new terminal, which has been handling traffic since the end of July, was completed in less than one year from the date CN announced plans to relocate its Winnipeg intermodal facilities from south Winnipeg.

Source: CN marks opening of Winnipeg intermodal terminal, September 11, Canadian Shipper.

Congestion Relief Only Temporary

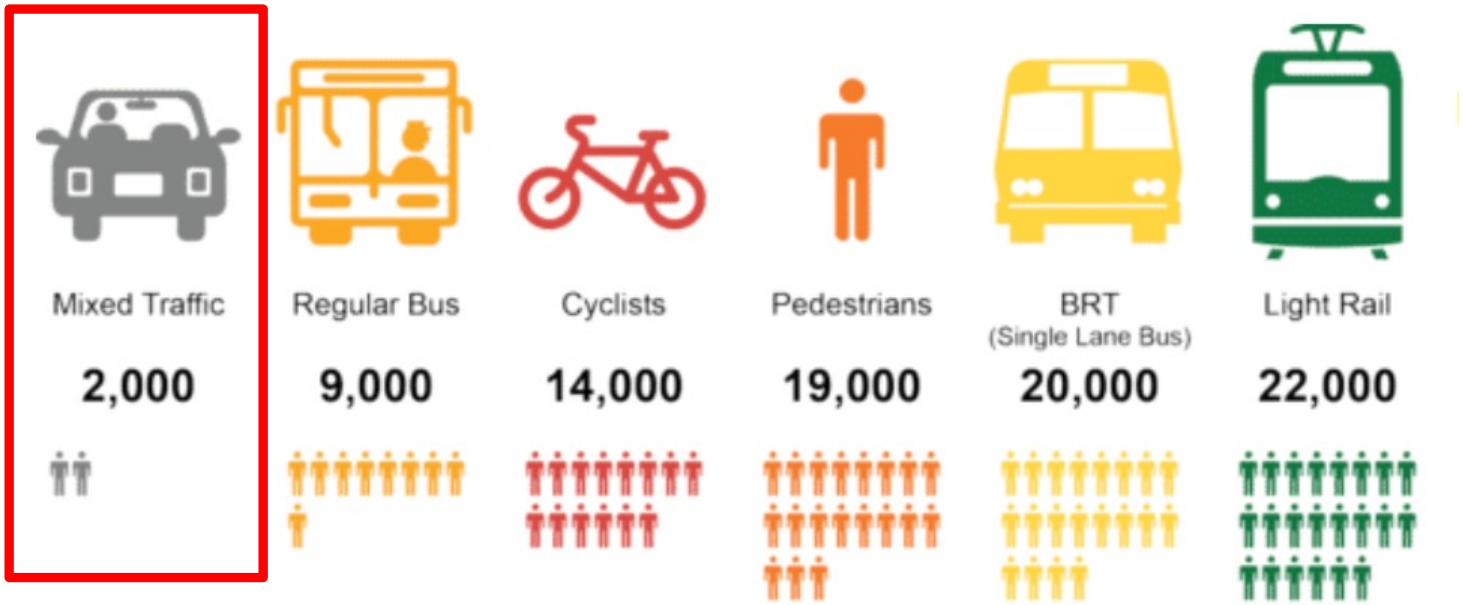
- Unfounded optimism about how effective project will be in relieving congestion
  - Federal funding application shows that relief will only be temporary and congestion will become worse than ever
  - Current (2017) corridor travel time: **9.6 minutes** (p.m. peak)
  - Projected 2041 corridor travel time: **20 minutes** (p.m. peak)



Source: National Trade Corridor Fund (NCTF) Expression of Interest (EOI) Submission, Oct. 6, 2017, City of Winnipeg

Adding Lanes Most Expensive Approach

- Adding lanes to accommodate additional traffic is the most expensive and less effective method to address congestion



Capacity of 3.5 m wide road, different modes

Not Compatible with Naawi-Ododena

https://www.winnipegfreepress.com/breakingnews/2018/07/12/citys-kenaston-plan-wont-work-outside-consultant-told-crown-land-authority-in-october

City's Kenaston plan won't work, outside consultant told Crown land authority in October – Winnipeg Free Press

7:00 PM CDT Thursday, Jul. 12, 2018

The consulting firm hired to redesign the former Kapyong Barracks property agrees with area residents who believe the plan to widen Kenaston Boulevard is flawed and will negatively impact surrounding neighbourhoods.

A letter sent from B.C.-based Urban Systems to Canada Lands Company says the City of Winnipeg is intent on turning Kenaston into an "urban freeway" — an approach that fails to mesh with CLC's proposed development of the Kapyong property.

"Developing Route 90 into an urban freeway will create disruptions through significant acquisitions of the Kapyong lands by the city as required to meet right-of-way requirements for an urban freeway," a principal of the firm says in the later dated Oct. 23, 2017.



TREVOR HAGAN / WINNIPEG FREE PRESS FILES Kenaston Blvd. near the former Kapyong Barracks in Winnipeg.

The letter was obtained by the *Winnipeg Free Press* through an Access to Information request. The letter-writer's identity had been blacked-out.

The letter states the city's plans for Kenaston would "create an urban freeway that doesn't respond to the character and scale of the existing area that would conflict with the intended future redevelopment of the Kapyong lands."

Hit the Reset Button

- Won't be the first time that City of Winnipeg has sought other more affordable options

Council told to ditch $566-M Marion Street project



By: Kevin Rollason
Posted: **4:21 PM CDT Thursday, Sep. 15, 2016**

Civic bureaucrats are recommending that a half billion dollar plan to reconfigure part of Marion Street be scrapped because it is too expensive.

St. Boniface city councillor Matt Allard, who last year joined area residents in condemning the proposal, said that he's pleased by the recommendation, coming up at next week's Infrastructure Renewal and Public Works Committee.

"I feel vindicated," Allard said on Thursday as he stood at Marion Street where it crosses Archibald Street.



Stop Underfunding Maintenance

- In the interim, stop ‘demolition by neglect’ by increasing Route 90 provisional maintenance budget
  - $100K annual budget hasn’t been increased for over 20 years!

PUBLIC WORKS - GENERAL CAPITAL FUND

Regional and Local Street Renewal (continued):

REGIONAL STREET RENEWAL PROGRAM Authorization ($000's)	2023	2024	2025	2026	2027	2028	Six-Year Total
Regional Provisional Maintenance:							
Kenaston Blvd - Ness to Taylor	100	100	100	100	100	100	600

Source: Supplement to the 2023 Preliminary Budget – Volume 3, page 59, City of Winnipeg, February 2023.

Sensible Congestion Solutions:
Victoria Transport Policy Institute



www.vtpi.org

Info@vtpi.org

250-508-5150

Smart Congestion Relief

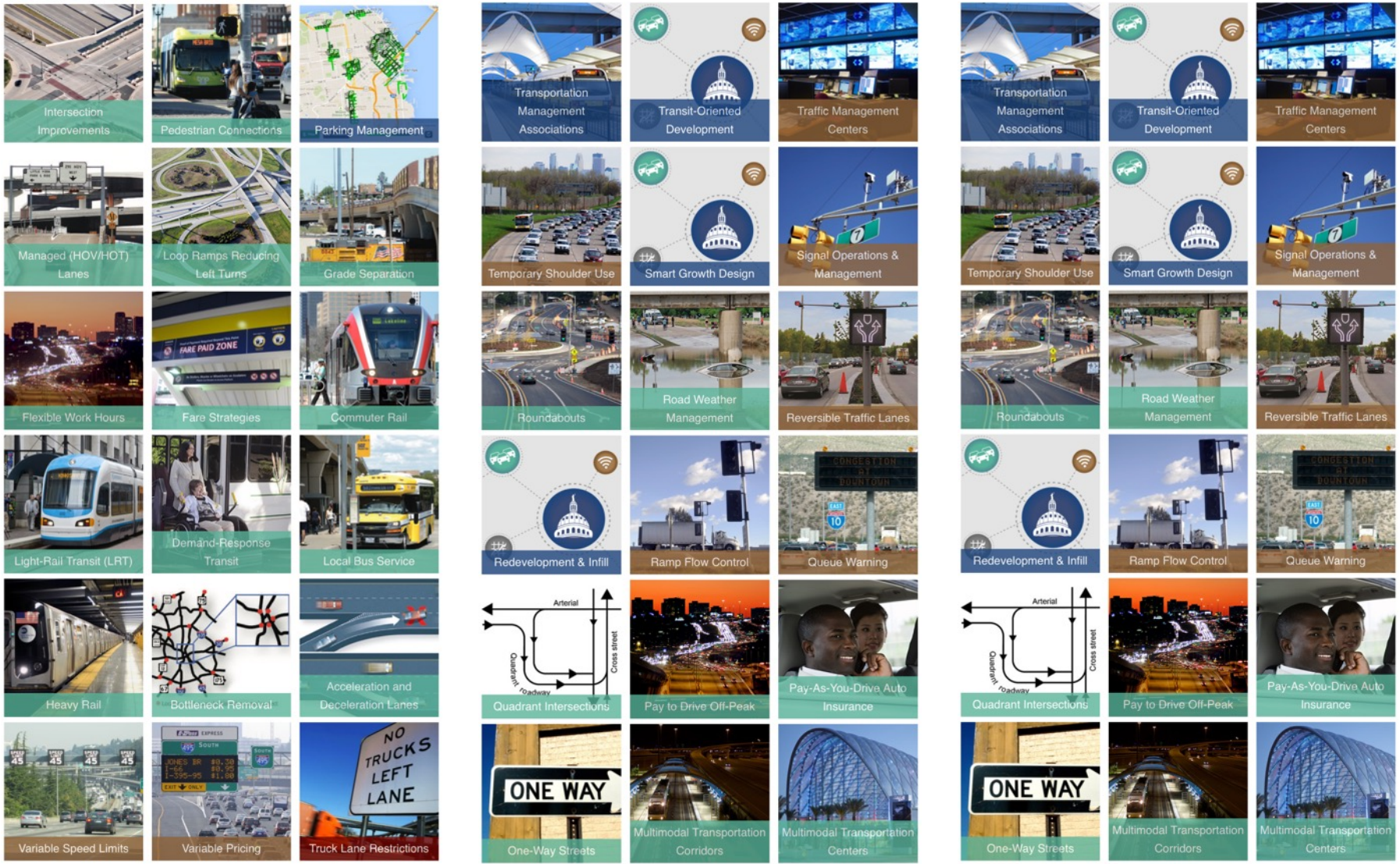
Comprehensive Evaluation of Traffic Congestion Costs and Congestion Reduction Strategies

10 November 2022

Todd Litman
Victoria Transport Policy Institute

Sensible Congestion Solutions:

Texas Transport Institute



Summary and Recommendations

Dear Winnipeg

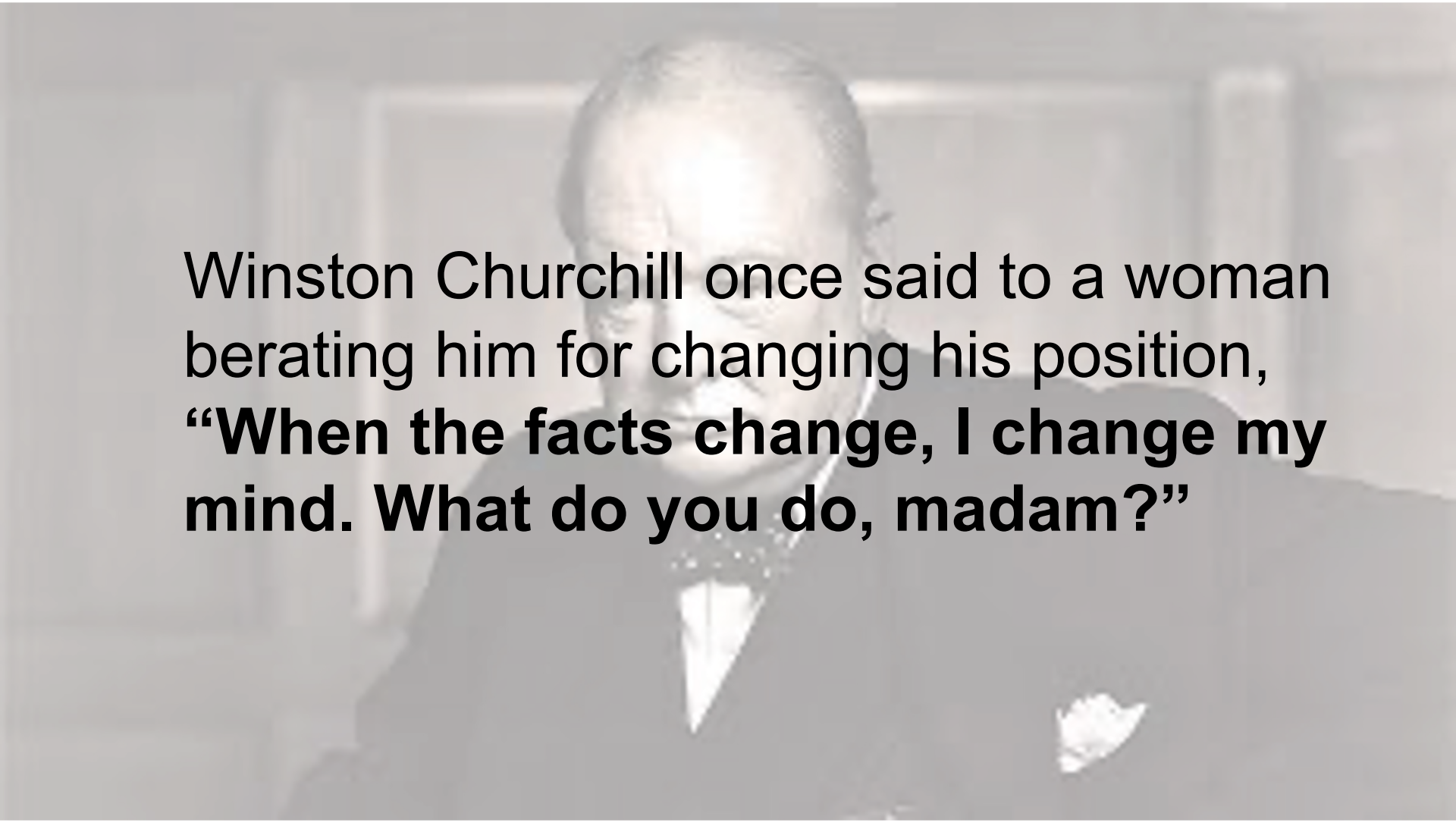
A NEW POST IS AVAILABLE!!

The Largest Mistake of Our Generation

> "We're over our heads with the roads we have."
>
> — *Councillor Janice Lukes, chair of the Public Works committee*

If the roads we built in the past didn't create enough economic activity to pay for themselves, not even close, then the way forward isn't "more roads". We shouldn't need a cost-benefit analysis to see that the Kenaston/Chief Peguis projects are unqualified losers. Some of us did that math years ago already, for free.

But if we must, then let's do one before we drop even one red cent, let alone $2.8 million, into design and planning of one of the largest mistakes of our generation.



Winston Churchill once said to a woman berating him for changing his position, **“When the facts change, I change my mind. What do you do, madam?”**

