City of Winnipeg 2023 Draft Budget

Winnipeg Construction Association Comments

Winnipeg Construction Association

The Winnipeg Construction Association (WCA), established in 1904, represents the commercial construction industry in Manitoba. Our member firms include manufacturers, suppliers, financial institutions, lawyers, insurance and bonding companies and brokers as well as contractors. These members deliver the $2 billion worth of high-quality, cutting-edge industrial, commercial and institutional buildings for Manitoba annually.

WCA has been proudly serving the entire construction industry in Manitoba for over 115 years with an independent and reasoned approach to policy and government affairs. Our diverse membership base is our strength, delivering policy and advocacy priorities which are member-driven, always with the focus to serve and promote the construction industry in Manitoba.

Draft Budget 2023

When reviewing the City of Winnipeg budget, the WCA focuses its interest on the operating budget of the Planning, Property and Development (P,P and D) Department. This department can have a significant impact on the efficiency of a construction project in Winnipeg, so the resources allocated to, and the efficiency of the department is of high priority to the construction industry.

Below is the 2023 Preliminary Budget for the P,P and D Department (Pg. 158):

Development Approvals, Building Permits and Inspections

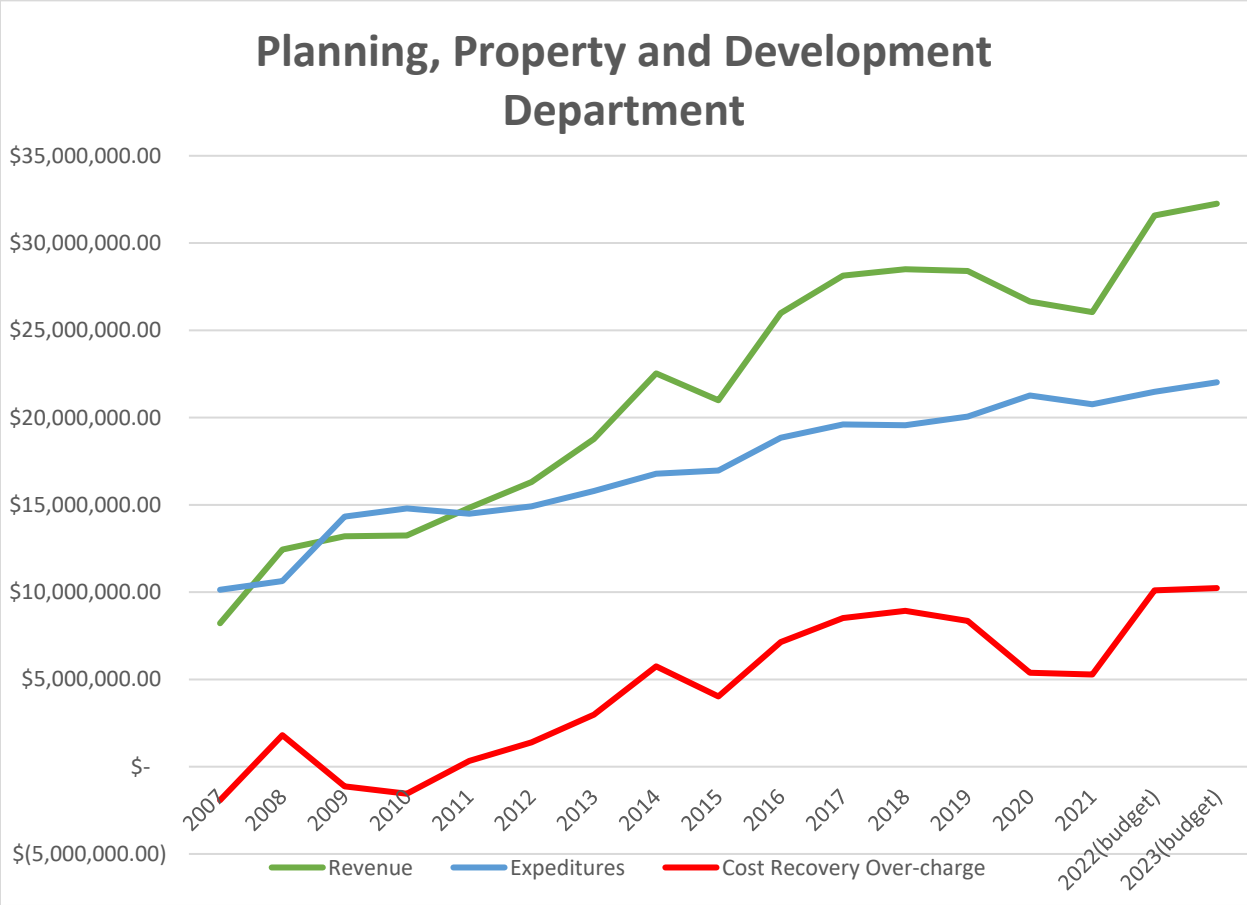
Contributing Departments
Planning, Prop. & Devl. 98 %
Public Works 2 %

Operating Budget (in millions of $)	2021 Actual	2020 Budget	2021 Budget	2022 Budget	2023 Preliminary Budget	Expl.
Service revenue	30.065	29.020	26.047	31.578	32.256	
Provincial funding (service specific)	-	-	-	-	-	
Revenues	**30.065**	**29.020**	**26.047**	**31.578**	**32.256**	1
Salaries and benefits	19.146	17.901	18.368	19.056	19.362	
Services	2.172	1.711	1.727	1.598	1.648	
Materials, parts and supplies	0.093	0.099	0.099	0.098	0.101	
Assets and purchases	0.049	0.081	0.156	0.081	0.081	
Grants, transfers and other	3.642	1.018	1.045	1.070	1.555	
Recoveries	(0.807)	(0.377)	(0.631)	(0.427)	(0.723)	
Operating Expenses	**24.296**	**20.434**	**20.764**	**21.477**	**22.023**	
Transfer to Capital	-	0.265	-	-	-	
Debt and finance charges	0.027	0.025	0.027	0.031	0.063	
Total Expenses	**24.323**	**20.724**	**20.791**	**21.507**	**22.086**	2
Mill Rate Support/(Contribution)	**(5.742)**	**(8.296)**	**(5.256)**	**(10.070)**	**(10.171)**	
Full-time Equivalent Positions	**221**	**206**	**208**	**213**	**205**	

You will notice that the budgeted 'Revenue' for the department, which is derived from permit and inspection fees, is estimated at $32M for the year. The estimated operating expense for the year is $22M, which leaves $10.17M in 'Contribution'.

In this case, 'Contribution' means that the $10M of the funds collected from organizations that invest in Industrial, Commercial and Industrial buildings in Winnipeg are used to support general revenue. This no longer looks like a fee for service model; the Planning, Property and Development Department is being used as a revenue center to fund unrelated City activities.

To gain an understanding of the Department's financial history, below is a graph of the Revenue and Expenditures of the P, P and D Department since 2006.



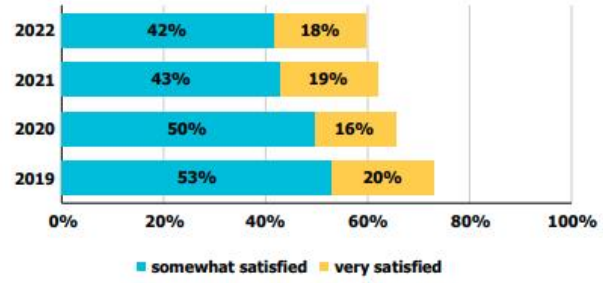
In 2011 there was a policy change within the City of Winnipeg resulting in a dramatic increase in permit and inspection fees. Until then, revenues and expenditures closely tracked each other. Since 2011 the amount collected in fees have increased by 118% ($14.8M in 2011, $32.3 in 2023) vs. an increase in Operating expense of 52% ($14.5M in 2009, $22M in 2023).

Since 2011, $78.4M has been collected by the Department in excess of operating expenses, subsequently transferred to General Revenue.

In the meantime, citizen satisfaction with the department has been dropping. Below is the result of the latest 'Citizen Satisfaction' survey (Community Trends and Performance Report, Pg.157). In 2019, satisfaction was reported at 73% with 2022 results at 60%.

Effectiveness Measurements

Citizen Satisfaction With Zoning Regulations and Building Permits

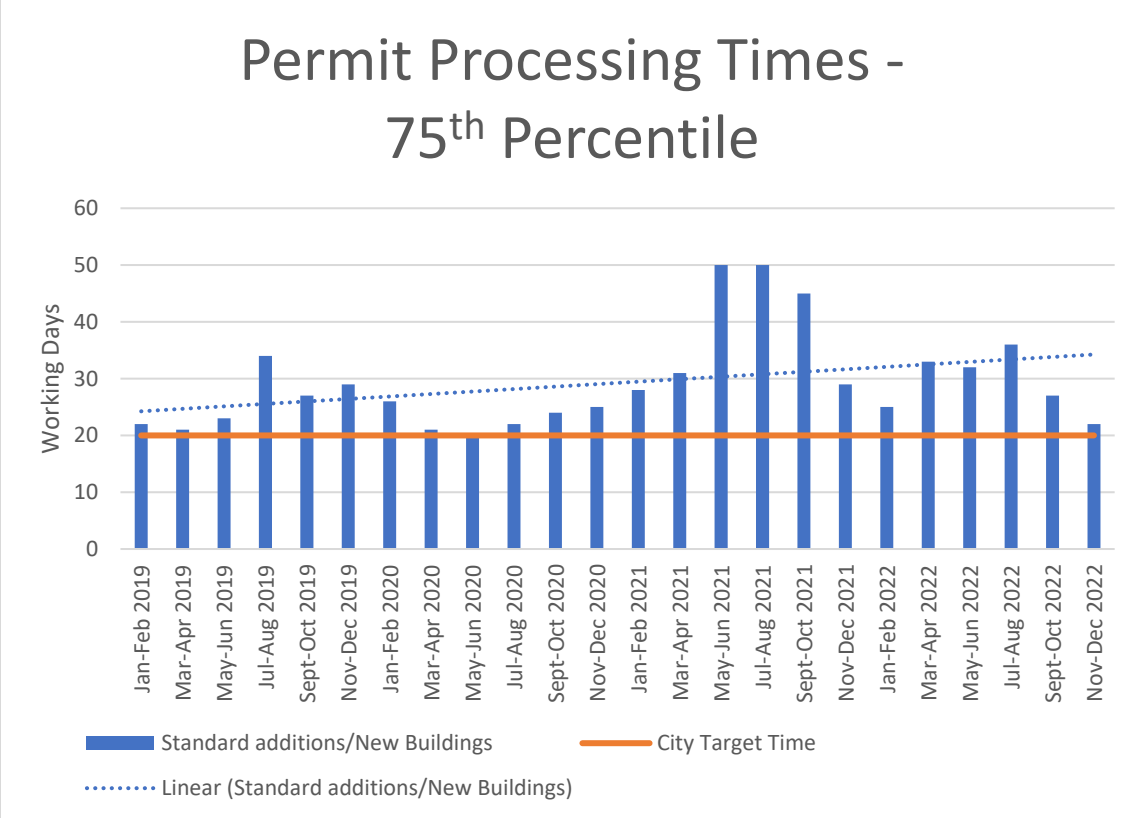


	2019	2020	2021	2022
Total Satisfied	73%	66%	62%	60%

Source: City of Winnipeg Annual Citizen Survey

Satisfaction has remained above 60% over the past several years.

Also, the trend on permit application processing times are not showing a positive improvement. Below is a graph of the reported processing times for New Commercial Building & Additions (Standard), since the beginning of 2019.



The orange line represents the departments agreed upon time to complete a permit application after its confirmed to be a complete application. The blue bars indicate the amount of time in each time period it took to complete the 75th percentile of applications. The dotted blue line indicated the trend over this time period. The graph shows that since 2019 the City has attains its target once (during the COVID-19 downturn). The graph also shows that the trend over time is worsening performance.

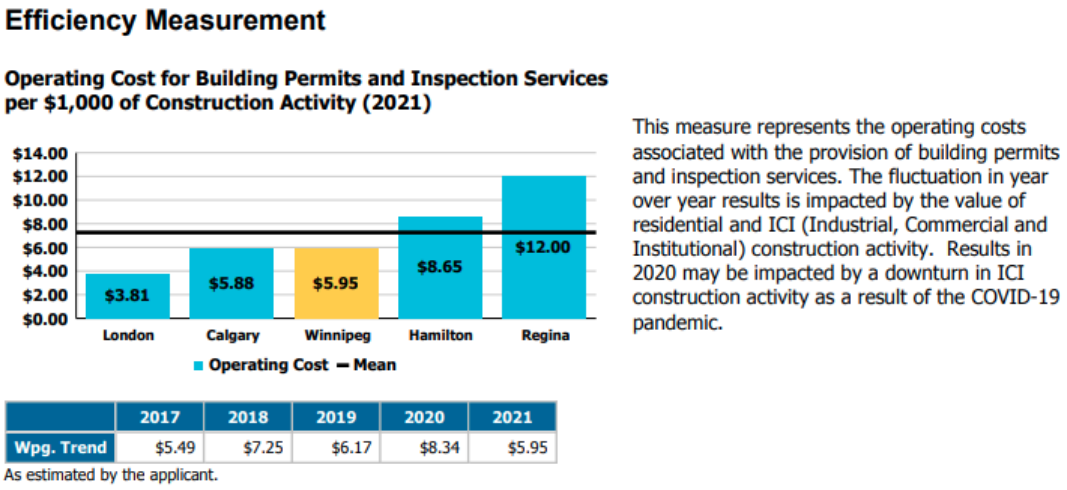
When observed together – the satisfaction graph and the permit processing times graph – it starts to paint a clear picture. Not surprisingly, citizen satisfaction drops as service levels drop.

Efficiency

Below is a graphic that is provided in the 2023 Preliminary Budget[1]. It is presented as a measure of efficiency, comparing operating costs for the services for each $1,000 of construction activity between different cities. This graphic is misleading. As presented, it appears Winnipeg is 'middle of the pack'. However, the $5.95 which is reported for 2021 only represents the amount of operating expense directly attributed to permits and inspections. It does not reflect fees paid for the service.

If this value was measuring fees associated with delivering this service, the result would be dramatically different. Using data[2] reported by the City of Winnipeg:

The average cost to the builders of Winnipeg in 2021 was $13.22/$1,000 of construction activity!



	2017	2018	2019	2020	2021
Wpg. Trend	$5.49	$7.25	$6.17	$8.34	$5.95

As estimated by the applicant.

[1] Page 157

[2] In 2021, the reported value of construction in Winnipeg was $2.274B. The actual revenue for the department in 2021 was $30.065M.

Permit Reserve Fund

The Permit Reserve Fund (PRF) was established in 2007 with the purpose to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The reserve is also meant to provide a source of funds for service and system improvements. It was initially set at $3.0 million and then in 2011 the cap was lowered to $2.0 million.

It does not appear that the Permit Reserve Fund is being used as intended. The reserve fund is being 're-filled' this year to the $2M level however most of that funding has been spoken for to fund on-going temporary employees. The temporary employees that are funded through the PRF should be included in the operational budget and the PRF should be left available to fund extra resources when needed and system improvements.

Conclusion

We believe that the Planning Property and Development department should fully embody the 'Yes, First' attitude. The services provided through this department are those that literally BUILD this city. In part, that is done through efficiency improvements, but it is also done by ensuring there is adequate resources to deliver the required services.

Currently, the builders of Winnipeg are paying a premium price for their permit and inspection services and they deserve a premium service.

WCA seeks a commitment, prior to the next multi-year budget in 2024, for:

1. **The City of Winnipeg to begin a transition process to allocate appropriate levels of resources to the department and reduce reliance on permit fees for General Revenue.**

2. **The City of Winnipeg conduct a thorough review of the permit reserve fund, including**
    a. **The amount of the reserve;**
    b. **how it is used;**
    c. **and how it is replenished**

The WCA sincerely appreciates the opportunity to provide comments to the budget process for the City of Winnipeg. We look forward to working with City staff and elected officials to help deliver the