Agenda – Executive Policy Committee – February 18, 2025

REPORTS

Item No. 3 Amendment to 2024 Strategic Infrastructure Basket Funding

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the revised 2024 funding allocation of the Strategic Infrastructure Basket, attached as Appendix B, be received as information.

2. That the annual increase to the debt and finance charges as a result of the changes noted in this report be referred to the 2026 Budget Update Process.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Amendment to 2024 Strategic Infrastructure Basket Funding

Critical Path: Executive Policy Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Pablo	T. Graham	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

Each year, the Province of Manitoba provides operating grants to the City of Winnipeg along with a global capital grant titled the Strategic Infrastructure Basket (SIB). Council approved an allocation of capital projects funded by SIB in the adopted 2025 Capital Budget and Five-Year Forecast. The SIB was included at $93.900 million including a 2024 SIB of $93.900 million (restated from $89.905 million, refer to page 313 of the Supplement to the 2025 Preliminary Budget).

The City recently received approval of the 2024/25 SIB from the Minister of the Municipal and Northern Relations. The Province agreed with most of the allocations approved by Council. The 2024/25 project allocations are attached as Appendix A. The Province allocated $30.000 million for NEWPCC Biosolids Facilities in addition to the $16.000 million already allocated. They did not approve funding support for the City of Winnipeg Archives renovations ($11.647 million) and they deferred transit projects to future years (North Garage Replacement and Radios and Intelligent Transportation Systems, $23.213 million total). As per the Province's approval letter, $85.109 million of the $93.900 million 2024/25 SIB has been allocated, leaving an unallocated balance of $8.791 million.

As a result, the funding source for the City of Winnipeg Archives will need to be changed to debt. Changing the funding sources from external debt to SIB funding or vice versa results in adjustments to both capital and operating budgets. The approved SIB allocation and changes noted in this report will result in a net annual operating cost of $1.048 million in 2025, $2.616 million in 2026, $3.053 million in 2027 and $1.721 million in 2028.

Note that the NEWPCC Biosolids Facilities Project had previously been approved to be funded by debt and, therefore, the changes above will have no implication to the total City capital budget. However, these changes require transferring the external debt from NEWPCC Biosolids project to other projects as noted in Appendix B, attached.

The Public Service intends to assign the remaining unallocated $8.791 million to the following 2024 Council-approved projects:

Proposed Projects to be Funded by the Unallocated SIB	2024	Provincial criteria
Chief Administrative Office		
Portage Place Redevelopment	$4.000 million	Roads and bridges
Public Works		
Regional and Local Street Renewal	3.260 million	Roads and bridges
Fire Paramedic Service		
Waverley West Modular Station and Site Development	1.531 million	Public safety
	8.791 million	

The operating budget impact of the proposed changes to the City's capital budget would primarily impact the debt and finance charges. The Public Service is anticipating that the NEWPCC biosolids project cost of borrowing will not happen until 2028.

The 2025 debt and finance charges will be funded from within existing departmental budget. If there is a tax-supported shortfall in 2025, this will be funded from the Financial Stabilization Reserve. Future charges will be referred to the 2026 budget process.

RECOMMENDATIONS

1. That the revised 2024 funding allocation of the Strategic Infrastructure Basket, attached as Appendix B, be received as information.

2. That the annual increase to the debt and finance charges as a result of the changes noted in this report be referred to the 2026 Budget Update Process.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Executive Policy Committee approval is required to refer the financial implications of the capital changes from the 2024 Strategic Infrastructure Basket funding allocation to the 2026 Budget Update Process.

IMPLICATIONS OF THE RECOMMENDATIONS

The SIB changes noted in this report will result in a net annual operating cost of $1.048 million in 2025, $2.616 million in 2026, $3.053 million in 2027 and $1.721 million in 2028. The 2025 debt and finance charges will be funded from within existing departmental budget. The Chief

Financial Officer has delegated authority to move funding sources within Council-approved projects and, as such, no Council approval is required for the capital financing sources.

HISTORY/DISCUSSION

Each year, the Province of Manitoba provides operating grants to the City of Winnipeg along with a global capital grant titled the Strategic Infrastructure Basket (SIB). In the adopted 2024 to 2027 Multi-Year Balanced budget, the SIB was included at $89.905 million. On April 3, 2024, the Province of Manitoba confirmed the SIB for the City is at $93.900 million, an increase of approximately $4.000 million compared to the 2024 City Budget.

In the 2025 Capital Budget and Five-Year Forecast, the annual SIB was included at $93.900 million, including a restated 2024 SIB of $93.900 million (refer to page 313 Appendix G of the Supplement to the 2025 Preliminary Budget). Appendix G provides the City's long-term plan for projects that are to be funded from SIB.

On September 26, 2024, Council approved, in relation to the Portage Place Mall Assets, up to $6.500 million to cost share a new publicly-accessible skywalk, repairs to existing skywalks, lighting and security features located within this development, to be provided from 2024 to 2025 and funded from unallocated amounts within the City's SIB. This amount will be provided as a grant to True North or its legal designate to support the public space and public realm aspects of this development. This funding allocation is also included in the Supplement to the 2025 Preliminary Budget (see Appendix G of the Budget Supplement, page 312).

The City received approval of the 2024/25 SIB from the Minister of the Municipal and Northern Relations via a letter dated December 9, 2024. The 2024/25 project allocations are attached as Appendix A. The approval includes the allocation of $85.109 million under the $93.900 million 2024/25 SIB, leaving an unallocated balance of $8.791 million.

The letter had indicated the following points:

- During the Province's review of Winnipeg's proposed allocation, it became apparent that additional funding was required to help address cost overruns for NEWPCC to ensure the successful completion of the upgrades.

- It was determined that a number of City budgeted projects proposed to be funded by SIB did not align with the intent of this fund.

- The SIB remains the primary source of funding for all existing and future commitments.

- Winnipeg should seek to align proposed project allocations in future years towards mutually-identified priorities that strategically advance critical large-scale water and wastewater treatment plans, waste management facilities, public transit, public safety, roads and bridges, recreation projects and other provincial-municipal priorities.
- The City will be required to seek provincial approval for projects proposed to be funded from the SIB prior to the City's budgeting and adoption process. This will be discussed with the City regarding future process.

The Public Service, in response to this letter, reviewed what Council has approved in the 2024 Capital Budget to minimize the financial impact of this decision.

There are two main financial implications:

1. Implications of the Provincial approval for the City's capital budget

An additional $30.000 million for NEWPCC Biosolids Facilities that is offset by no funding support for the City of Winnipeg Archives – The Winnipeg 150 Legacy project ($11.647 million) and the deferral of transit projects to future years (North Garage Replacement and Radios and Intelligent Transportation Systems, $23.213 million total).

NEWPCC Biosolids Facilities had previously been approved as part of the Investing in Canada Infrastructure Program (ICIP) when the cost estimate was $552.71 million. However, the cost estimate was revised to $1.035 billion. The funding breakdown and cost sharing is below:

NEWPCC Upgrade: Biosolids Facilities	**Adopted Budget**		**Amended Budget**	
In millions of $	**Amount**	**% share**	**Amount**	**% share**
External Debt	$184.46	33%	$460.75*****	45%
Federal Government	200.87	36%	200.87	19%
Provincial Government	167.38	30%	167.38	19%
2024 SIB			30.00	
Retained Earnings and Environmental Projects Reserve			176.00	17%
Total Project	**$552.71**		**$1,035.00**	

*****Amended budget reported to SPC Finance and Economic Development on September 16, 2024, had total debt of $490.75 million. The amount in the above table was reduced by $30 million due to the 2024 SIB project allocation. The total project estimate (Class 3) remains unchanged at $1.035 billion. Based on the amended budget, City share of the project increased from 1/3 to almost 62 percent; while federal and provincial share is now at 19 percent each.

The additional $30 million for NEWPCC Biosolids Facilities helps to bridge the funding gap among the three levels of government. The City will continue to work to ensure that the parity in the ICIP agreement is honored based on the revised cost estimate for this project.

Even though additional funding was added to NEWPCC Biosolids Facilities, the total funding for SIB has remained at $93.9 million. This means that projects adopted by Council to be funded by SIB will now be funded by external debt. There is no impact to the total project amounts nor on the total financing sources. The Chief Financial Officer has delegated authority as per Multi-year Budget Policy clause 3.6.D. regarding "redistribution of financing sources including provincial funding, federal gas tax revenue, cash to capital, debt financing and others in accordance with Council approved borrowing by-laws, provided the total approved capital financing is not exceeded to ensure the most effective use and timing of financing sources."

There are no capital budget implications from the Provincial decision as the proposed changes to the capital financing sources will be implemented by switching Provincial SIB with external debt. For example, the Archives project will now incur debt and finance charges while the NEWPCC Upgrade: Biosolids Facilities will not, in relation to the additional $30 million of Provincial SIB. Therefore, there is no impact to the capital budget bottom line. However, these changes mean that more tax-supported expenses will be incurred starting in 2025 instead of the water and sewer funds (which is projected to happen starting in 2028).

2. Proposed allocation of the $8.791 million to Council-approved 2024 projects:

Proposed Projects to be Funded by the Unallocated SIB	2024	Provincial criteria
Chief Administrative Office		
Portage Place Redevelopment	$4.000 million	Roads and bridges
Public Works		
Regional and Local Street Renewal	3.260 million	Roads and bridges
Fire Paramedic Service		
Waverley West Modular Station and Site Development	1.531 million	Public safety
	8.791 million	

The Provincial SIB will replace External Debt in all of the above projects.

The operating budget impact of the proposed changes to the City's capital budget, as per 1 and 2 above, would primarily impact the debt and finance charges. As the Archives and other tax supported projects in 2025 will now be debt funded, the debt and finance charges are estimated to be $1.048 million and will be funded from within existing departmental budget. If the recommendations of this report are approved, future debt and finance charges will be referred to the 2026 budget process.

Next Steps

Upon Council approval, the City of Winnipeg will send a request to the Province to approve the $8.791 million project allocation (as per the table above).

The SIB is also currently budgeted in 2025 to 2027 at approximately $93.900 million per year and allocated as reflected on Appendix G of the Supplement to the 2025 Budget. The City of Winnipeg will also provide the requested allocations for 2025 to 2027 to the Province.

If amendments are requested by the Province related to the proposed allocation for the 2025 SIB, this can be adjusted including a proposed project allocation, as part of the 2026 Budget Update process. The debt and finance charges implications starting in 2026 will be discussed during the 2026 budget process.

The Public Service will continue to work with its provincial counterparts to implement the Provincial directive to seek provincial approval for projects proposed to be funded from the SIB prior to the City's budgeting and adoption process. This is consistent with Council's Strategic Priorities Action Plan item 2.1 "*Create a new operating and capital funding relationship and model between the provincial and civic governments*."

The City will also be submitting the 2025 to 2027 SIB allocations to the Province shortly after approval of this report to accommodate and accelerate the Provincial approval process.

It is currently anticipated that the decision-making process and timing between the two levels of government will not completely align.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 22, 2025

Project Name:

First Year of Program **2024**

Amendment to 2024 Strategic Infrastructure Basket Funding.

	2024	2025	2026	2027	2028
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal			$ -	$ -	$ -
Debt - External	(23,213,000)	23,213,000	-	-	-
Strategic Infrastructure Basket Funding	23,213,000	(23,213,000)	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required					
Total Additional Debt Required					
Current Expenditures/Revenues					
Direct Costs	$ -	$ 1,047,767	$ 2,615,521	$ 3,053,701	$ 1,721,701
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ -	$ 1,047,767	$ 2,615,521	$ 3,053,701	$ 1,721,701
Less: Existing Budget Amounts	-	1,047,767	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ 2,615,521	$ 3,053,701	$ 1,721,701

Additional Comments:

1. The capital expenditures above represent the revision to financing sources in the 2024 capital budget by switching external debt financing with Provincial Strategic Infrastructure Basket (SIB) funding or vice versa in order to accommodate the changes noted in the report.

2. Current expenditures represents the financing costs by changing funding sources from SIB to external debt. Increase in tax supported financing is due to cash flow amounts starting in 2025 while the reduction to NEWPCC Upgrade: Biosolidds Facilities starts in 2028. The impact on debt and finance charges for 2026 and beyond will be referred to the 2026 Budget Update Process.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

N/A

OURWINNIPEG 2045 POLICY ALIGNMENT

Goal #1: Leadership and Good Governance:

Objective #1: Establish and implement priority actions through evidence-informed decision-making processes. Evidence-informed actions require transparent and accountable decision-making to determine the long-term public interest and the appropriate trade-offs in levels of service, taxation, and budget priorities.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (WCAP), and its Goals and Objectives. It was determined that the WCAP is not applicable to this specific report

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (WPRS) and its Goals and Objectives. It was determined that the WPRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Financial Planning and Review
Prepared by: Liza Pablo
Date: January 22, 2025

Appendix A: Provincial funding allocation for 2024/2025

Appendix B: Reconciliation of Provincial and City Funding