MANITOBA HEAVY CONSTRUCTION ASSOCIATION

Groundbreaking

## 2012 Operating Budget – MUNICIPAL INFRASTRUCTURE FUNDING OPTIONS

Mr Speaker, Mr Mayor and members of Council…. I was unable to attend meetings of the Executive Policy Committee when it considered delegations for the 2012 Operating Budget but did submit comments in writing.

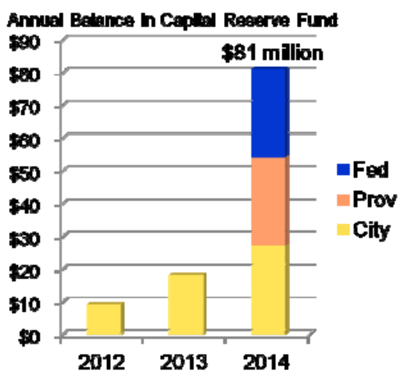
As you wind your way to final adoption of the 2012 Operating Budget, something suggestions for the public and you to consider as it relates to municipal infrastructure funding options.

Like it or not, the sheer magnitude of Winnipeg's total municipal infrastructure deficit hovering in the vicinity of $8 billion dollars over the next 10 years, requires this Council which <u>IS</u> armed with all of the facts, to embrace, lead and direct change, including maximizing own source revenues, borrowing authorities and introducing organizational efficiencies and implementing best practices.

Dedicated realty tax increases, frontage levies, user fees, road and bridge tolls, all accountably dedicated to infrastructure reinvestment are within Council's ability to choose and ultimately implement.

Further, if as we submit and much of the public agree, that the solution is a <u>*shared responsibility*</u> between the three levels of government, before providing municipalities access to any new revenue streams, senior levels of government <u>*will expect no less*</u> than the above decisions from municipal governments.

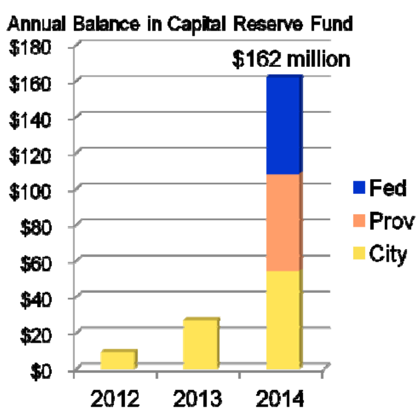
Immediate first steps for consideration in the 2012 Winnipeg Operating Budget should include consideration of the establishment of *Dedicated City Infrastructure Reserve* to potentially match funds with Provincial and Federal Government. Two options (of many) to consider:




A City Council approved one time 2% property tax increase dedicated to infrastructure investment, would raise roughly $9 million each year, per year on an ongoing basis.

If the annual $9 million in revenues were placed in a capital reserve fund, the fund would reach $27 million in three years.

By 2014 – the anticipated date for the renewed federal Building Canada Fund 2 - this reserve could be used to match federal/provincial funding to create a large infrastructure funding source of $81 million - $27 million per level of government.




Alternatively, a City Council approved annual 2% property tax increase, in each of the next three years dedicated to infrastructure investment, would raise a new $9 million in the 1st year, an additional $18 million in the 2nd second year, and a further $27 million in the 3rd year.

If the annual dedicated amounts were placed in a capital reserve fund, the fund would reach $54 million in 3 years.

By 2014 this reserve could be used to match federal/provincial funding to create a large infrastructure funding source of $162 million - $54 million from each level of government.

In the absence of matching provincial or federal funding programs, every $9 million raised would leverage the borrowing costs of $120 million of new debt over 30 years.

We realize that no one likes tax increases.

However, modest municipal increases dedicated to infrastructure renewal and reinvestment are not only a fiscal imperative, but properly presented, transparently and accountably invested, would be understood and supported by a majority of the general public.

*The above is not without precedent.* The City of Edmonton in 2009 recognized that it had to add a sustained revenue stream to its infrastructure budget and came up with a two per cent solution.

It agreed to implement a dedicated 2% increase in tax levy in 2009 and each subsequent year until a sufficient fund could be established to adequately sustain city neighbourhood needs. We understand that the Cities of Montreal, Calgary and Saskatoon follow similar such strategies.

We also support the notion that as part of the overall solution, municipalities must be granted access to consumption taxes which increase with economic growth.

We support the view that Manitoba should increase the PST by an additional point for municipal infrastructure reinvestment, or enable a similar such province-wide levy dedicated to municipal infrastructure purposes.

A 1% PST or similar such levy province-wide would generate $254 million annually. In Winnipeg, assuming a per capita distribution, the 1% PST would equate to annual revenues of $140 million.

The federal government must not escape its shared responsibility. Its tax revenues benefit most by a growing economy.

To Councillor Swandel's often repeated views, the federal government should consider increasing the GST which was reduced to 5% from 7%, along with the observation at that time that the vacated room could be absorbed by other levels of government. The increase should be dedicated to municipal infrastructure.

A visit to the "Big Fix" on CBC's website dealing with municipal infrastructure is instructive. Its website tool only allows for 1% GST increase in the model. A dedicated 1% GST cuts Canada's infrastructure deficit of $230 billion in half over a 20 year period or entirely over 40 years. The CBC website address is: http://www.cbc.ca/news/interactives/infrastructure-calculator/#

I would like to add that the above positions as a result of our efforts have been endorsed by the Canadian Construction Association (CCA) of which we are member, representing roughly 20,000 companies across Canada engaged in heavy civil and vertical industrial institution and commercial construction industries. These reflect its national federal advocacy position as it relates to funding Canada's municipal infrastructure deficit.

We are also sponsors/presenters at the 2nd National Infrastructure Summit (NIS) hosted by Regina Mayor Pat Fiacco later this year, all in support of public messaging the importance of new and dedicated revenue streams with which to fund municipal infrastructure.

We understand that there is a difficult political reluctance to increasing taxes particularly after more than a decade of relatively static taxation levels. However the need for that reality, responsibly exercised, is clearly upon us.

If you choose not to adopt any of the above approaches for this budget - which we discourage - may I respectfully urge that you undertake by Council motion today, to address complete review of municipal infrastructure funding options as a standalone resolution, for completion and consideration well in advance of the 2013 capital and operating budget deliberations.

Putting off the inevitable debate and decision does not eliminate the problem or its associated challenges. It only alarmingly adds to the cost and you have witnessed that in successive reports presented to Council.

The public, opinion leaders, the media, stakeholders – all of us – and you as Councillors, we all have a collective responsibility to future generations to accept that repeating mistakes of the past and expecting different results in the future is insanity.

A change in direction requiring decisions is upon us all. Please ... lead that change starting today.

Thank you.

Chris Lorenc, B.A., LL.B.,
President MHCA
March 20, 2012

Wpg 2012/MIF Options to City Council March 20, 2012