



June 20, 2019

## ITEM 6 UNFUNDED MAJOR CAPITAL PROJECTS - PRESENTATION TO THE MAYOR AND COUNCIL

Good morning Mr. Mayor, Councillors.

I appreciate speaking to Item 6 - Unfunded Major Capital Projects Report.

On June 18, I emailed my June 11 EPC presentation on this report, along with a cover note. I hope you have given each good consideration.

The matter before you is challenging. It relates not just to a list of unfunded major capital projects but to the difficulties Winnipeg faces in funding critical, core infrastructure, which is the foundation of our economy.

This discussion is not about a project list. It is not just about the need for a plan, dedicated to an 'item.'

Your deliberations **cannot be** isolated from the fact that this is really about how Winnipeg can execute delivery of a **core civic responsibility**.

Winnipeg needs a solid strategy for sustainable infrastructure investment. It requires reliable, predictable, long-term financing **and** funding partners.

I want to highlight three primary concerns attached to any resolution of the unfunded major capital projects problem.

### 1. **Winnipeg's Local and Regional Street Renewal Program:**

While not specifically itemized as an 'unfunded major capital project', the street renewal program is implicated inherently in, and shares, all of the issues confounding the financing of major capital projects.

They too require a long-term, reliable financing plan, **AND** the appropriate participation of provincial and federal governments.

Winnipeg has a strategy crafted **to pull out of** the infrastructure investment deficit for local and regional streets. Unfortunately, as you well know, it has not been followed. We are off track – we need to get back on track.

Further, Council decided this year that **bridges** be funded out of the revenue reserve built by the 2% annual tax hike.

But property owners were told the revenues from that annual tax hike were dedicated to local and regional streets. Council has up-ended the deal.

A quick review of the expenditures on "bridges" from 2016 to 2019, and the forecasted expenditures from 2020 to 2024, shows that any one year of bridge work can consume all additional revenue raised in a year by the 2% streets renewal levy. From 2014 to 2019, the increase to the reserve amounted to \$50.9 million; the total bridge expenditures amounted to \$51.9 million.

Respectfully, you cannot simply add a \$1-billion bridge deficit liability into the funding formula designed exclusively to address investment deficits around local and regional streets. Doing so simply compounds the serious problem of decaying streets.

2. The report on unfunded major capital projects, states Winnipeg faces a structural deficit in its operating and capital budgets. In short - Winnipeg can't do this on its own.

Workable strategies, based on sustained investment, are possible. Winnipeg adopted a strategy designed specifically to resolve the Local and Regional Street Renewal Program's investment deficit, which was becoming a structural deficit. But now that strategy is in danger of disintegrating.

Further, and this is important, the deal for accelerating regional street renewal with federal cash out of the New Building Canada Fund **is not a long-term, reliable financing strategy**. In fact, this deal witnessed the provincial government shift its share, effectively eliminating the history of long-standing road funding agreements.

The report asks that the unfunded major capital projects be prioritized. But merely organizing the list for priority sets Winnipeg up for a much deeper infrastructure deficit. It repeats the critical error of past practice, which is: setting capital budgets without instituting a sustainable funding model.

We have to get beyond allowing lurching political expediencies to set public-service priorities. It is not responsible stewardship of public infrastructure. This is precisely how investment deficits are made and **KNOWINGLY** compounded.

### 3. **What then is the way forward?**

You all know that Council has three well-researched reports that lay out a workable way forward.

They all lead to the same **inescapable conclusion**. Winnipeg NEEDS a new deal, one that more fairly distributes the financial obligations and responsibilities for infrastructure among three levels of government.

Winnipeg, all Manitoba municipalities, need a **New Fiscal Deal**.

Pull out the IFC Report 2011 and put Recommendation #17 squarely on the table.

#### **Why?**

1. If you don't fix the broken model you are contemplating a 30% property tax hike and a 37% hike to water & sewer levies in the next decade – **clearly unacceptable**;
2. City Council represents most of Manitoba's voters; there are two fall election campaigns coming - a propitious time to push this critical item onto the provincial and federal political agendas AND at the doorsteps of Winnipeggers for all candidates;
3. The MHCA and other business leaders are fully prepared to support and assist Council, and speak publicly on the need for a new, modern and workable funding model; and
4. The New Fiscal Deal is more relevant now than ever, something painfully illustrated by this \$4.5-billion worth of unfunded major capital projects, and by the budget crisis created when Manitoba reneged on the \$40 million owing to Winnipeg for street work done in 2018.

**Conclusion**

And so, I close by asking for two contemporaneous directions as part of the review contemplated in item 6:

1. *As to areas within your decision-making competence, review and update the deficit and formula with which to fund Local & Regional Street. If the 2% is inadequate to sustainably address funding the **additional \$1-billion bridges deficit** - do not compound the infrastructure deficit for streets; pull bridge funding out for separate treatment;*

and

2. *As to the broader policy question: sponsor and support a recommendation "That the Mayor & Council lead a public conversation during the pending provincial and federal elections, in support of a 'New Fiscal Deal' to re-shape the fiscal relationship and sharing of responsibilities as between municipalities, the province and the federal government."*

We need to get started.

There is considerable public interest to support the above propositions that, as stewards of the City, you must lead.

Thank you.



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