



MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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November 28, 2019

To: Chair and members,
Water and Waste, Riverbank Management and the Environment

From: Chris Lorenc, B.A., LL.B., President, Manitoba Heavy Construction Association (MHCA)

Subject: **2020 Water and Waste Budget Recommendations**

We write to address the recommendations presented by the Water and Waste Department, related to the Water and Sewer Capital budgets.

The MHCA recognizes that these are recommendations, that there are discussions to be had on how to balance the priorities of council against the challenges and financial realities that the City of Winnipeg works with every year.

Having said that, the MHCA notes with concern that these recommendations set out cuts to both water and sewer main renewals in each of the next four years (2020-2023), totalling \$11 million.

While \$11 million may not sound significant in the City of Winnipeg's annual capital investments program, these reductions will set back the water and sewer main renewal program. **Renewal, as you know, is replacement of a section of a main, typically when it has reached the end of its useful life – too many breaks making repairs futile.**

But the recommendation is to cut \$3.5 million over the next four years from water main renewals – a 4.5% cut. For sewer main renewals, there is the recommendation to cut \$7.5 million over the next four years – a 9% cut. **This is proposed even as the City continues to take a “dividend” of more than \$30 million – cash transferred to general revenues – from the annual water and sewer charges on property owners.**

If there is any program that sits amongst the core of what a municipality provides to its residents, it is sewer and water. People can be forgiven for not thinking about sewer and water lines because we are conditioned to expect water to flow when we turn a tap or flush a toilet. But when water stops or becomes non-potable, people notice how critical these services are to their daily needs. Brown water anyone?

The department's presentation notes there are ramifications for putting off water and sewer main renewals. In fact, the City of Winnipeg 2018 City Asset Management Plan shows about 9%, or 424,000 metres of water distribution lines, are older than the expected 75-year life of the asset. Some 230,000 metres of sewer line are in the same shape.

Multi-year budgeting is supposed to put the City of Winnipeg on a stable, strategic path, and that is especially true of the approach required for ensuring the city's core infrastructure – the roads, bridges, water and sewer assets that make this a modern, first-class city – meets the needs of a growing population and economy.

This multi-year budget plan is anything but strategic; there is no mention of how deferral of basic infrastructure maintenance can be managed sustainably without impairing Winnipeg's ability to reduce a growing infrastructure investment deficit.

Do not just cut – that will impair economic growth. Do not just defer – no windfall will come to rescue those projects.

What's the strategy?

These are the very questions you are called to answer to deliver upon the core duty of your multi-budgeting responsibility – to manage city finances and revenues against the pressure of service demands.

The MHCA understands the pressures the City administration and City Council are dealing with. None of these developments resulted out of ill-will.

No, this predicament arises from the undeniable fact that the demands for service upon municipalities, including the City of Winnipeg, are too great, compared to the capacity to raise revenue.

Coming out of the provincial election this fall, I wrote that lost in the campaign, lost in the discussion of the provincial responsibility to the economy, to municipalities and to taxpayers, was the need to revisit the nature of the fiscal relationship between the provincial and municipal governments.

Like social infrastructure programs - healthcare and education - core infrastructure requires a comprehensive, appropriately shared investment approach. Ignoring this threatens our economy's ability to generate wealth, and therefore the capacity to fund critical services, such as police and fire, and our arts, cultural and recreation programs.

But we are forcing our municipalities to meet the demand for services, to extract impossible sums of money to maintain and enhance core infrastructure, while working with a turn-of-the-century funding model.

Winnipeg estimates in its 2018 State of the Infrastructure Report that its total infrastructure deficit is \$6.9 billion. Estimates of the rural municipal core infrastructure deficit, measured in 2009 dollars and reported in the 2011 Infrastructure Funding Council report, are in the vicinity of \$7 billion.

The first step should be, on this Committee's part:

1. So as not to impair the water and sewer main renewal program, reconsider the level of "dividend" transferred now from the water and sewer charges to general revenues. Some \$38 million was transferred in 2018 and that amount is expected to rise;
2. Request an administrative report, within 60 days, on the implications of the recommendations on the investment deficit for our sewer and water infrastructure, with options to reduce the impacts and achieve sustainable funding levels.

Secondly, support a review of municipal taxing authority and access to revenues with the goal of matching revenues to defined needs. Municipalities collect a mere 10 cents of every tax dollar raised.

Discussion of 'new' funding sources are fraught with suspicion. The public understandably is resistant to tax hikes, new levies or charges. Yet, ultimately, this is a basic proposition: We either find a way to appropriately raise and share access to revenues, and share responsibilities between governments, or face declining services.

Concurrent to a review, we must rebalance and appropriately share responsibilities between the three levels of government for capital funding and ongoing maintenance costs of municipal core infrastructure.

Premier Pallister has set a goal of restructuring of everything government, righting the fiscal imbalance, and returning to sustainable economic growth. Consistent with those goals, we should support a 'from the ground up' review of the existing roles and also a responsible sharing of the funding burden between Manitoba's municipalities and the provincial government, and by extension the federal government.

This is not to relieve you, Water and Waste Committee members, of your immediate responsibility, which is to grapple with a growing deficit in infrastructure investment.

It is intended to recognize your multi-budget planning process, at its core, is hollow unless municipalities are given modern tools, new approaches and hope for a better deal with higher levels of government.

We ask you to rally Winnipeggers to ask that from Broadway and Ottawa.

Thank you,

A handwritten signature in black ink, appearing to read "Chris Lorenc".

Chris Lorenc, B.A., LL.B.,
President, MHCA