MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
Unit #3-1680 Ellice Avenue, Winnipeg, Manitoba, R3H 0Z2

October 14, 2021

To: **Executive Policy Committee (2022 Budget Working Group)**
His Worship Mayor Brian Bowman
Councillor Jeff Browaty
Councillor Sheri Rollins
Councillor Matt Allard
Councillor Scott Gillingham
Councillor Cindy Gilroy
Councillor Brian Mayes

And to: Councillor Devi Sharma
Councillor Ross Eadie
Councillor Shawn Nason
Councillor John Orlikow
Councillor Janice Lukes
Councillor Markus Chambers
Councillor Kevin Klein
Councillor Jason Schreyer
Councillor Vivian Santos

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

Subject: **Budget Working Group Deliberations - 2022 Operating and Capital Budget**

As your work continues on the draft 2022 Operating and Capital Budget, the MHCA wishes to bring to your attention concerns regarding the Local & Regional Street Renewal programs, in particular for 2023-2026.

First, the MHCA respects the pressure Council faces, each year, to balance the budget in the face of rising demand for service amid investment priorities. The demands are complicated by the fact that, although they own most infrastructure assets, municipalities do not have the same access to avenues of revenue-generation as do the federal and provincial governments, and therefore municipal tax revenues are constrained.

The MHCA commends Council and Administration for showing financial stewardship and discipline with the adoption of a four-year budget. That plan has allowed the City of Winnipeg to manage the impact that COVID-19's economic shutdown had on City finances.

With that in mind, the MHCA highlights the below concerns regarding future planning for core infrastructure investment, in particular the Local & Regional Streets Renewal program.

Context

- Annually, opinion surveys conducted by the City of Winnipeg show that Winnipeggers are concerned for the condition of their streets. In 2021, the Citizens Survey found that the No. 1 action the City could take to improve quality of life for residents was to fix the streets.

- The City of Winnipeg acknowledges the return on investment drawn from a strong, sustainable core infrastructure program. Budget 2021, Vol. 2, Pp 6 and 1-4, noted the City's 6-year, $2.3-billion capital investment would spin off more than $1 billion to MB/Canada's GDP, creating more than 10,000 PYE. <u>**The 6-year, $864.1-million road investment program alone would spin off 4,500 PYE and almost $570 million to MB/Canada GDP.**</u>

- Notwithstanding an acknowledged $1.9-billion road investment deficit, the City of Winnipeg lacks commitment to a sustained and sustainable long-term plan to ensure the local and regional streets (the latter which carry 80% of the traffic) are renewed, supported by sustainable budgets.

  - The City has drifted significantly from the 2013/2014 plan(s) upon which the 1+1% annual tax hikes were implemented. For example, budget forecasts for L&R shows dramatic shortfalls against 1+1% plan ($44 million in 2023; $74 million in 2024).

- Decisions that altered revenue generation for L&R program include:
  - The local street renewal program in 2022 was to see its revenues from 1% dedicated property tax shift to the frontage levy, increased by $1 per foot annually. L&R drew just $2.329 million from $10 million in frontage revenue; the bulk of the revenues have been re-allocated to bridges
  - The L&R street renewal program's share of the $51.6 million in federal gas tax revenues expended on capital budgets has plummeted, to $6.721 million (2021); bridges are now allocated the bulk of those revenues
  - Bridges became eligible for funding from the 1+1% annual tax increases in the 2019 budget deliberations; and
  - L&R street program no longer receives cash to capital (as of 2019)

- Further
  - The dedicated tax revenues have become the go-to source for a variety of service demands. As a source of reliable revenues, some have looked to the 1+1% dedicated annual tax as a means of funding recreation facilities, cultural and community facilities and active transportation facilities; and
  - IRPW approved a motion October 12, 2021, to allow active transportation facilities to be eligible for funding out of the L&R Renewal Reserve.

Of concern:

- In 2023, the regional street program's revenues from the dedicated annual 1% tax will fall to 0.3%, shifting the 0.7% to local streets program.
- In 2024, the NBCF and provincial contribution to the accelerated regional street renewal program ends – forecasted 2024 budget for regional streets is $46.917 million, a $26.4 million decrease from 2023.
- **In 2023, the L&R Renewal Program budget falls by $25 million to $136.9 million, and then again in 2024 by $16 million to $121 million.**
- The attached L&R Street Renewal 2021 v 2019 and compared to Plan 2013 & 2014 illustrates the above

The MHCA does not quarrel with the need to fund social and recreational facilities. It supports building infrastructure that gives Winnipeggers access to all modes of transportation - as cyclists, pedestrians, individuals requiring accessible transportation, bus riders or motorists and commercial drivers.

However, the reality is that the 1+1% dedicated tax was presented to Winnipeggers and introduced on the understanding it would replenish revenue reserves to bring to good condition and maintain, with sustainable levels of funding, the local and regional streets, and roads. This has not happened.

To the above point, it is our understanding that Public Works Department, is to present an update of the transportation system's condition/needs assessment and the sustainable funding levels required for the replacement and renewal of roads and bridge infrastructure ahead of the 2023 budget review cycle.

Mindful of all the above, respectfully, the MHCA requests that the Budget Working Group emerge from its deliberations supporting the following recommendations:

1. Stay the course on the current 4-year budget plan, subject to the Public Works Department's update/recommendation regarding sustainable funding levels for the Local and Regional Street renewal program and bridge infrastructure.

2. Begin the process to raise awareness of the need for a new plan for an accelerated regional road program, including discussions pressing for new agreements with the federal and provincial governments

   <u>Note:</u> It is important to note that the province also impacted the health of the streets program by reneging on a $40 million streets renewal payment.

3. Within the 2022 Operating and Capital Budget:
   a. Encourage all levels of government to focus on *growing the economy* as the enabler of recovery post-pandemic and beyond.

   b. Call on the provincial government to begin in earnest, discussions toward a *new fiscal deal'* and relationship with municipalities; and

   c. Commit to working with the Winnipeg Metropolitan Region to implement a strong Capital Region economic growth plan, which benefits all constituent communities.

In addition to the above we are also pleased to attach a one-page flyer, endorsed by six business organizations, which champion growing the economy as government's No. 1 responsibility and outlines 7 pillars to guide growth. These are each sympathetic to the message we have submitted in this communication.

We would be pleased to speak with you on any of the above points should you need clarification or wish further details.

Respectfully submitted,
MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)

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

cc.
Michael Jack, City of Winnipeg CAO
MHCA Board of Directors
MHCA Members

Local & Regional Street Renewal Program 2019 & 2021; v 1%+1% Plan

(millions)

Local program, City of Winnipeg 2019 Capital Budget Forecast (P1-8)

Local	2019	2020	2021	2022	2023	2024
Fed gas tax	12.0	12.0	12.0	12.0	12.0	12.0
1% reserve	33.9	39.7	45.7	51.9	62.9	74.3
total	45.9	51.7	57.7	63.9	74.9	86.3

Local Program, City of Winnipeg 2021 Capital Budget Forecast (P2-19)

Local	2021	2022	2023	2024	2025	2026
Fed gas tax	6.721	11.862	1.885		4.889	
1% reserve	45.230	51.457	62.457	73.857	85.757	98.257
Frontage	2.329					
total	55.730*	63.519	64.542	74.057	90.846	98.457

**2021 includes $1.250m in prior years surplus; '21-26 total includes $200,000 annually from "future services account"*

Regional program, City of Winnipeg 2019 Capital Budget Forecast (P1-8)

Regional	2019	2020	2021	2022	2023	2024
NBCF	12.0	25.0	26.0	24.0	13.0	
Mb accelerated	17.0	15.0	29.1	29.1	9.8	
1% reserve	29.5	35.3	41.3	47.5	49.5	51.5
total	58.5	75.3	96.4	100.6	72.3	51.5

Regional program, City of Winnipeg 2021 Capital Budget Forecast (P2-16 to 2-18)

Regional	2021	2022	2023	2024	2025	2026
Accelerated	84.5	80.4	37.4			
Non-accelerated 1% reserve	11.938	18.376	34.938	46.917	53.638	48.856
total	96.438	98.776	72.338	46.917	53.638	48.856

2019 L&R renewal program (forecast) vs. 1+1% Plan, 2019-2024

	2019	2020	2021	2022	2023	2024	total
L&R forecast	105.7*	131.6*	154.1	164.5	147.2	137.8	840.9
1+1% plan	123	135	146	165	181	195	945
Variance	-17.3	-3.4	8.1	-0.5	-33.8	-57.2	-104.1

*includes other transfers to program, and reconciliation of gas-tax top-up and provincial-roads funding cuts

2021 L&R renewal program (forecast) vs. 1+1% Plan, 2021-2024

	2021	2022	2023	2024	2025	2026	total
L&R forecast	152.168	162.295	136.880	120.974			
1+1% plan	146	165	181	195			
Variance	6.0	-2.705	-44.120	-74.026			

GROWING MANITOBA'S ECONOMY

GROWING THE ECONOMY- MORE TO BE DONE

Economic growth is Manitobans' top priority. The overriding challenge for the next five years is diversifying our agricultural, manufacturing, resource, financial and service sectors to strengthen the capacity for export and to create jobs. Prudent investments within a climate of confidence and certainty enable growth, leading to more jobs, greater prosperity and a higher quality of life.

I. A COMMON ECONOMIC AGENDA
Strengthen the partnership with the private sector to build a stronger economic base and ensure Manitoba remains internationally competitive, providing jobs for a growing population.

II. INFRASTRUCTURE INVESTMENT
With an improving fiscal capacity, invest in core, community and educational infrastructure to support vibrant, healthy communities connected within the province and to our trading partners.

III. GLOBAL TRADE
Build Manitoba's capacity to promote trade and expand our global profile to take full advantage of our potential.

IV. INDIGENOUS ENGAGEMENT & RECONCILIATION
Commit to consistent engagement with the federal government and our Indigenous communities to ensure everyone benefits from a prosperous economy.

V. PRODUCING, ATTRACTING AND RETAINING TALENT
Commit to working with the business and educational sectors to ensure Manitoba produces, attracts, educates, trains and retains the skilled workforce fundamental to sustaining economic growth, prosperity and healthy communities.

VI. ACCESS TO CAPITAL
Maintain a system for easy and increased access to capital and establish a new framework for venture capital within which both the private and public sectors participate to allow Manitoba businesses to thrive.

VII. ESTABLISH STRONG, SUSTAINABLE FISCAL RELATIONSHIPS
Commit to establishing a modern fiscal framework to ensure provincial and municipal levels deliver their respective obligations to provide services to Manitobans and build strong, mutually supportive communities.

CONCLUSION

The above principles are supported by the following organizations:

Business Council of Manitoba
Canadian Manufacturers & Exporters
Manitoba Chambers of Commerce
Manitoba Heavy Construction Association
Manitoba Home Builders' Association
The Winnipeg Chamber of Commerce

July 2019