MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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May 18, 2022

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

Subject: **Item #4 – IRPW April 6, 2022, Warranted Projects, Traffic Engineering Improvement Program**

Introduction

- Good morning, Mayor and Councillors
- First, I would like to stress that MHCA and the industry it represents are keenly aware of budget pressures
- MHCA, as a matter of principle, supports all choice of transportation mode.
    - Citizens should be able to walk, cycle, ride transit or drive, safely and efficiently in our city
- Safety is paramount
- Further, we stress the budget pressures this year, every year and in every future budget deliberation, are compounded by the fact municipalities cannot access sufficient revenue-raising measures, and need a fairer sharing of the tax dollars collected
    - This will be MHCA's message in this year's council and mayoral election campaigns and again in the provincial election campaign expected next year

Item #4 – IRPW April 6, 2022

- The motion before you, from the April 6, 2022, IRPW Committee meeting, seeks to source permanently, annual funding for traffic engineering improvements from the Local and Regional Renewal Reserve.
- It may seem a natural fit; traffic engineering improvements often happen with street renewal construction
- The discussion, however, and the Attached A & B reports, make clear there are more warranted, desired projects than there is funding annually
- At present, there is $7.88 million worth of projects that are awaiting funding
- The Administrative report makes clear the disconnect between projects that should be done – "warranted" – and the allotted budget for the Transportation Engineering Improvement Program
- The reflex then is to "find the cash"
    - The reflex option is the local and regional street renewal reserve, which increases by about $11 million annually through the 2% property tax increases
- The issue, however, is the plan for road renewal, through the annual, dedicated 2% property tax hike, did not contemplate the demands of the TEIP
    - Indeed, $7.88 million constitutes fully 70% of the annual revenues raised by the tax
- Further, the road renewal reserve is now being used to fund bridge repairs
    - More than $25 million from the reserve in the next six years for this purpose
- Past budgets and budget deliberations show the 2% dedicated tax and the road renewal reserve has become the reflex "go-to" source to solve budget dilemma, which arise because of insufficient revenues and revenue sourcing
    - Provincial shortchange of $40 million under the road renewal agreement
    - Budget shortfall due to COVID expenses/revenue shortfall

Problem

- The 2% annual, dedicated tax arose from a deal with ratepayers, struck to get Winnipeg roads into good condition, and to provide for new roads necessary for a growing population
- The L&R reserve was not intended to augment other 'base' sources of revenue for road renewal
    - Other "base" funding sources have fallen away, or been redirected

    - The plan called for the reserve's revenue source to shift to the frontage levy in 2022, with the levy rising annually to support road renewal
        - That has not happened
    - The plan is not meeting its targets
        - In 2023, the renewal program will fall $44 million short of the original plan's target
        - In 2024, it will fall $74 million short
    - Winnipeggers have not been told whether the road renewal plan is dead, or how it will be resurrected
- <u>We saw this year – during the spring thaw – the inevitable outcome of insufficient funding for road renewal</u>
    - We cannot consider this year an outlier – with climate change and and rapidly aging regional roads, we can only expect this to happen more frequently
- Winnipeggers deserve better

Recommendations:

We respectfully offer the following recommendations for your consideration:

1. ***Stick with the renewal plan***:
    - Hold to the original deal with ratepayers – the 2% tax must be dedicated to road renewal
        - Council will be presented with an updated road renewal funding plan; the update and any accompanying Public Service recommendations must consider adequate funding for maintenance (potholes) and construction of new roads
            - To do otherwise risks economic growth, and that cannot be contemplated
2. ***Devise a financing plan for priority programs***
    - Bridge repairs are expensive; annual needs will put increasing demand on the road renewal reserve
        - the reserve cannot do justice to both the road renewal and the bridge repair programs
    - Traffic engineering improvements are important. The program budget line has proven inadequate, evidenced by the "unwarranted" list.
    - Similarly, the proposal to fund active transportation facilities through the road renewal reserve will only compound pressure on the plan to renew our streets.
        - Cyclists & pedestrians deserve to move safely on connected, efficient routes. Building these facilities shouldn't depend on the coincidental timing of road renewals

<u>I repeat, the road renewal reserve was never designed as and cannot be the solution to all problems</u>. Attempts to fund all public works programs through a reserve designed for a single purpose will only leave each program poorer.

3. ***Press for a New Fiscal Deal:*** This is an election year. Make this campaign about achieving fair sharing of tax revenues. Now is the time to get that rally started
    - ***2023 will be a provincial election year, and provincial elections are won and lost in Winnipeg.***

Winnipeggers, indeed the residents of all municipalities, deserve high-quality, modern services for growing populations. Our businesses need reliable roads to get their products to customers and markets beyond the city, in order to compete. If you can't move it, you can't sell it.

We need a new fiscal deal.

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