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

March 1, 2024

Presentation to: **SPC Public Works**
Councillor Janice Lukes, Chair
Councillor Markus Chambers
Councillor Devi Sharma
Councillor Russ Wyatt

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

Subject: **2024 Preliminary Operating & Capital Budgets**

The MHCA is pleased to support the 2024 Multi-year Budget.

On numerous occasions before this committee, EPC and Council, we have acknowledged the difficult challenges you, the mayor and all members of Council have when preparing financial plans, including multi-year budgets.

More than any other, Budget 2024 plainly illustrates what MHCA and business stakeholder organizations have often noted is the fundamental problem with Council's ability to craft a strategy to meet increasing demands for service with limited financial capacity. Winnipeg - frankly all major urban municipalities - are badly hobbled in their abilities to raise and access revenue streams sufficient to the services expected in modern major cities.

This has to change if we are to meet the challenge of being home to 1 million people, expected within the next 25 years.

The additional pressures the growing population will place on our transportation system (and underground utilities) must be recognized in planning and finance forecasting. We are not investing sufficiently to maintain the system we have now – the last analysis (2018) saw 40% of our street system rated as fair to very poor, requiring $1.283 billion in work to bring existing roads to good condition.

The above does not consider the transportation infrastructure Winnipeg needs to accommodate population growth; it does not consider building out the city's broader economic growth potential.

The *2018 State of the Infrastructure Report*, spoke to the root of the problem – limited growth in revenue – behind the "unsustainable structural deficit" in the operating budget and the investment deficit seen in the capital budget.

> ***"In short, the City will face difficult choices in funding capital projects, determining affordability, and what potential sources of revenue may be available."***

There are ways to get better value out of the current program and our industry is working with the Public Works Department to move those ideas along, including working to update roadbuilding specifications and refining the tender process for efficiency.

This includes, for example:
- Harnessing Qualification Based Selection (QBS) to assign engineering contracts from a pre-qualified list of firms to reduce time and cost, and accelerate the design to tender to award process.

- Advertising and awarding contracts well before the season starts each year to allow industry to line up its workforce and supplies in the “off” season, at better prices.

But those improvements cannot compensate for the ground lost if the local & regional street budgets contract, as we have seen this year. This is a revenue problem.

With respect, the solution cannot be to dilute the value and effect of the local and regional streets budget by adding to it cost responsibilities not anticipated nor planned for in first instance.

Just as the problem described above has been discussed in a number of previous reports[2] addressing the investment deficit issue, so too has the solution.

In 1998 and again in 2000, task forces produced for the Mayor and Council reports that assessed the condition and the requirements of the city’s transportation system, and approaches to sufficiently address the investment deficit. These reports gave rise to the 2% annual tax hike, which was to be dedicated to road renewals.

Both reports, however, also discussed at length the fact the city, as with municipalities generally, cannot be expected to continue apace with service demands and to plan for a growing economy on the turn-of-the-century model of tax-revenue sharing that puts too heavy a reliance on property taxes, and constrains cities and towns from reaping benefit of growth taxes or more diverse and novel approaches seen in other jurisdictions.

Here, I would like to congratulate Mayor Gillingham and his budget working group on opening the door, even as a crack, to discussing with the provincial government an expansion of Winnipeg’s traditional revenue-source base, and introducing a one-dollar 411 charge per cell phone.

We encourage Mayor and Council to continue to explore approaches that assist in raising revenue, reviewing alternatives adopted in other cities[3].

The 1998 and 2000 infrastructure funding reports highlighted the need for a New Fiscal Deal, a new funding model that recognizes municipalities need a fairer, modern fiscal relationship with higher levels of government, freed of the manacles that now shackle both their ability to think and act broadly for new revenue generation and to plan for growth and entice investment.

We cannot imagine what the city might become by parsing ever more finely the existing dollars that flow to general revenues. While we understand why, frankly we should not be cutting revenues to street renewal in future years to improve the tree canopy, or to maintaining bridges because the outcome weakens the fund’s intended purposes and as a consequence none of the priorities will be well served.

Each of those priorities is important to creating a liveable city, but the street renewal reserve doesn’t have the capacity to meet the needs of our bridges and tree canopy; our active transportation routes and traffic safety engineering – and raising frontage fees annually is equally unsustainable. The tree canopy and bridges are clearly important and they too merit stand programs and funding streams.

We need to grow our economy, we need to make Winnipeg work, to build a city that acts as a magnet for new residents, businesses and enterprises.

Let’s start crafting the vision and strategy to do that, beginning with talking to those on Broadway about a new funding model that acknowledges that cities own, and therefore maintain, more than 50% of public infrastructure but today receive just an estimated 10 cents of every tax dollar[4].

But that’s just the first step.

MHCA recommends these steps toward building a better city:

1. Update the condition and needs of the transportation system, the life-cycle and replacement costs, along with a service-level expectation of our local and regional roads
   - A critical element to this task is following up on your Committee's June 26, 2023 commitment, as part of the recommended amended motion, to strike a working group to review and refine the strategy's options, including financial forecasts, revenue demands and levels of service, in time for the next phase of the 4-year balanced budget cycle.
2. Plan for new growth – where new infrastructure is needed to serve a growing population.
   - Support the necessary investments with a long-term financial plan equal to the challenge
3. Put economic growth as a critical investment criterion of the updated Transportation Master Plan, recognizing that the investments with higher return to our GDP seed economic growth and support sustainable funding to the recreational and cultural amenities that make a city great.
4. To support and enable the above, including the referenced need for a New Fiscal Deal, appoint a Chief Economic Development Officer, equivalent or reporting to the CAO, to ensure a "whole of government" approach to growing Winnipeg's economy.

The above steps cumulatively allow Council to engage the public, stakeholders and the provincial government to frame and define jurisdictional service and program-delivery expectations, supported by appropriate, transparent access to and sharing of growth and related revenue streams, to replace the currently antiquated and inadequate turn-of-the-century model.

The MHCA is always willing to work with the City towards practical, workable solutions, to support its ratepayers with a strengthened civic fiscal capacity, each of which objectives is in our collective best interests.

Respectfully submitted,

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

Winnipeg 2024 Preliminary Operating & Capital Budget/Budget 2024 Presentation – Public Works Comm March 1, 2024

[1] 2023 Citizen Satisfaction Survey https://www.winnipeg.ca/city-governance/documents-reports/2023-citizen-satisfaction-survey
[2] Strategic Infrastructure Reinvestment Policy 2008; SIRP II – Implementation Report 2000
[3] For example, in addition to licensing fees, Calgary charges ride-share vehicles a $0.20 per ride fee. Chicago charges $0.15 per ride fee.[4] Canadian Federation of Municipalities *The Case for Growing the Gas Tax Fund* http://tinyurl.com/4fxz9cd4