MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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MANITOBA HEAVY CONSTRUCTION ASSOCIATION
Groundbreaking

December 12, 2017

To: Mayor Brian Bowman and Members of City Council

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

Subject: 2018 City of Winnipeg Preliminary Operating and Capital Budgets

Good morning and thank you for the opportunity of presenting MHCA perspectives on the 2018 Operating and Capital Budgets, and directions going forward.

The MHCA prides itself on advocating public policies that are tested through a *'public best interests'* lens. This approach also rests on a foundational belief - the second lens - that supporting a growing economy, enables the public services and social programs that sustain our envied standard of living.

It is through those two lenses that the MHCA measures all budgets, especially infrastructure programs. These should be permanent; strategically focused on growth; innovative; transparently funded; accountable through regular review to ensure discipline to purpose and meeting objectives.

Having said the above, let me get right to the point of our presentation.

The 2018 preliminary Operating and Capital Budget was an exercise in hard work and harder decisions.

This year, Council is approving a budget that keeps the increase in expenditures to just 1.2%, year over year. Manitoba's largest city, a city that supports 2/3rd of the provincial GDP, cannot afford budgetary increases that meet even the rate of inflation.

We know, too well, the reasons for this. But it must be said, that this is unsustainable.

We respectfully ask this Mayor and this Council, serving as a Board of Directors, charged with the responsibility of acting with *due diligence* in the best interests of the corporation -- read City of Winnipeg -- and its shareholders -- read all its citizens -- to lead, champion and promote, heading in to the 2018 provincial municipal elections, with its municipal partners -- The Association of Manitoba Municipalities (AMM) -- and many in the business community -- real vested stakeholders -- a call, for the negotiation of a ***new fiscal deal*** between the provincial government and its municipalities, one that by extension must engage the federal government.

The objective? To rebalance the roles, responsibilities and revenue sharing amongst the three orders of government *in the service* of the one taxpayer.

And we further call upon the Mayor and this Council to lay the groundwork post 2018 budget adoption, so that this issue, the negotiation of a ***new fiscal deal*** becomes *the* ballot question across Manitoba in the 2018 municipal elections.

So *'why now'* you might ask?

Well it isn't a *'just now'* question….it is a repeated question that regrettably has not benefited by the necessary sustained political will to be addressed.

Some 80 years ago then Winnipeg Mayor Warriner petitioned the Federal Royal Commission on Dominion Relations, asking for a re-write of *"the extremely unsatisfactory financial conditions under which Winnipeg operates as a municipality required by provincial statue to maintain certain services and given only restricted revenues for the purpose of financing said services."*

In 1961 the Blake-Goldenberg Report on metro financing suggested that the 12 municipalities that made up Greater Winnipeg introduce a gas tax or a tax on vehicle registration with which to fund streets.

In 1974 the Federation of Canadian Municipalities proposed reducing municipal responsibilities; expanding revenue transfers from senior governments to municipalities and expanding the tax base of local governments.

In 2003, then Mayor Glen Murray proposed a major shift in Winnipeg's funding away from realty taxes to growth-based taxes.

The Infrastructure Funding Council Report adopted by Council in May 2011 recommended negotiating a new funding relationship with Manitoba and its municipalities associated with what at the time was projected to be $13.4 billion infrastructure investment deficit, of which Winnipeg was in the vicinity of $8 billion.

And where are we today? In the same place. Mired in an antiquated revenue model, with municipalities facing circumstances never imagined by the original framers of these models.

As noted, a lot of hard work went into writing this budget to enable reaching its consideration today.

We note that some amendments to the preliminary budgets have been made, but in totality, the nature of the changes only serve to highlight how constrained this City Council is, in balancing revenues against expenditures, and demands. As I said -- hard choices.

The fact is, every year at budget time, Winnipeg, and Manitoba's municipalities, are forced to go through an exercise akin to the 'Sophie's Choice' conundrum. Which of our vital services will see the required investments, and which, once more, are told 'not this year'?

Our cities and towns are being asked to do the impossible -- or in the very least, the improbable.

As legislative creatures of the provincial government, they are expected to operate within an antiquated revenue model, which restricts municipalities to sources of revenue, and while that worked well enough when services were basic, today our cities must work within new economic platforms, be able to pivot quickly, nimbly to respond to the pressures of new global economic and trade realities.

If we want to be world-class, we need to think outside the 19th century box.

It simply is not sufficient today, to tie the bulk of municipal revenues to property taxation, which shoulders the substantial burden for the operating budget.

The shortcoming of that revenue model is illustrated best, by the demands municipalities must meet for infrastructure or transit alone.

We saw in the 2018 Preliminary Budgets, the juggling game that must be played to compensate for the lack of revenues and limited revenue sources against the weight of the demands.
How can those needs be met by a modern, metropolitan city?

Winnipeg cannot do this alone – hence our appeal to you to lead a clarion call for a new fiscal deal whose elements should:

- **recognize that municipalities have a responsibility and role in strategic investment**, through regional planning and collaboration in agreements that, at times, must assert regional interests over local priorities;

- **recognize that infrastructure investment programs must consider balanced sharing, not limited just to its initial capital costs, but as well to life-cycle cost sharing;**

- r**ecognize that municipalities require more diverse means to raise revenues,** perhaps through broader revenue stream sharing and/or new taxation powers;

- **help relieve municipalities, of the need to go cap in hand to the provincial government, every year,** during budget-planning season;

- **lay the foundation for program sustainability, predictability and revenue certainty;**

- **allow governments to plan in advance to reasonably meet public needs**, and to position themselves to compete in an increasingly competitive, global market;

- **recognize, that our strategic investments in transportation systems -- our roads, public transit and active transportation facilities -- are critical to positioning our communities and province, to anticipate and capitalize on emerging trade opportunities, and therefore economic growth; and**

- **recognize that the *interests of one taxpayer are paramount*,** in any such new arrangement

These are its basic elements.

Frankly, if we collectively do not address the basic weaknesses in Winnipeg's – and all Manitoba municipalities' - revenue capacities, all of the hard decisions made in Budget 2018 will get harder, each year.

The wall we will hit, is not far off.

We support the Mayor and EPC's direction given the CFO, to examine multi-year budgeting, to conduct core-service reviews, to challenge existing service-delivery models in search for both expenditure management and containment, and new revenue streams within the city's existing legal capacity. That *"legal capacity"* must also be reviewed as a key enabling instrument in any new fiscal deal discussion.

In conclusion, we repeat our call to our Mayor and Council, to lead the discussion with its municipal and provincial partners, and many, in the business community who are allies, on the need for a ***new fiscal deal.***

We respectfully encourage your shaping this, as *the* high profile municipal ballot question heading in to the 2018 municipal civic elections.

I thank you for this opportunity, for your attention, and I sincerely look forward to responding to any questions at the appropriate time.

Thank you.

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