MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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June 11, 2019

ITEM 10 UNFUNDED MAJOR CAPITAL PROJECTS - PRESENTATION TO EXECUTIVE POLICY COMMITTEE

Good morning,

I am here to speak in support of the recommendations outlined in Item 10 Unfunded Major Capital Projects Report.

I also wish to add a separate recommendation that the Mayor & Council lead a public conversation during the pending provincial and federal election campaigns, in support of a *New Fiscal Deal* to re-shape the fiscal relationship between Canadian municipalities, the provinces and the federal government.

Before getting into the substance of my presentation, I wish to commend the Mayor and Council. This report along with the Capital Asset Management Plan and the 2018 State of Winnipeg's Infrastructure report, give meaning to your commitment to be transparent in public engagement on a strategy, with which to fund Winnipeg's major capital assets and infrastructure needs including its transportation system. These reports as well, flow from Council direction to govern according to asset management principles and vision, supported by multi-year forecasts for investment.

In many ways, this discipline serves as a model for other levels of government to follow.

As to the issue at hand?

There are 22 projects on the list in front of you today[1], $4.9 billion worth of major capital infrastructure works the City has identified as needed in the next decade. Given Winnipeg's current funding sources, the total unfunded liability of $4.5 billion would put taxpayers on the hook for:

i) Additional tax increases of 3% in each of the next 10 years - a 30% increase; and
ii) Total hike to sewer and water rates of 37% in the next decade.

Respectfully, neither of these options is conceivable.

Major capital projects need major funding sources, and given current municipal access to revenues and revenue sharing that by necessity, means tapping into the higher levels of government for assistance. There is simply no way around that for municipalities across Canada and Winnipeg is no different a situation.

Further complicating the discussion is the provincial government pulling back on shared road funding agreements that were historically embedded as part of the City's base funding for local and regional street renewals.

While street renewal is not considered "major projects", our major arteries are critical links to our local and regional streets. And the route is only as strong as the weakest link.

With the dilemma before us – funding capacity and sources – the lack of funding alternatives and the uncertainty of provincial multi-year agreements, have thrown a wrench into the infrastructure funding, planning and strategy. But the provincial issue is just part the problem here.

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[1] Attached is an impressive current investment activity on the CenterPort Canada footprint. It should update the 'Unfunded Major capital Projects Details May 2019 report project 'Need/Rationale' backgrounder, to accurately demonstrate that the main project driver and therefore need, is in fact growth.

The local and regional street renewal program remains dug into an infrastructure investment deficit. The plan to eliminate the local streets investment deficit, set out in 2013, was predicated on getting to sustainable annual funding for local streets by 2022. Sustainable funding for the local street renewal program was estimated at $80 million, rising by approximately $13 million per year through to 2033.

Where do we sit? This year, we see $21.9 million for local streets renewal. Even with the federal one-time gas tax top-up, we are short $10 million this year, against the original plan.

The regional renewal program will hit “sustainable” levels with $64 million this year, thanks to the new cash from Ottawa’s New Building Canada Fund, which Manitoba has agreed to match.

But - what happens in five years? Will those governments renew this funding agreement? Where will our regional street renewal program be then? Winnipeg does not have reliable, predictable funding to ensure its streets are repaired.

How did we get to this point? It is due to a number of factors, some of which flow from City Council decisions made in the public budget approvals process, and some recent high-profile provincial government decisions.

For a variety of reasons, Councils have not always adhered to the public plan that introduced the 2% annual tax hikes for the local and regional street program – not every year did the budget rise by the full +/-$10 million in revenue raised by that tax annually.

Further, the cash to capital for the street renewal budget has not stuck to the original plan. In 2014, the budget’s five-year forecast for cash to capital for street renewal was set at $133 million. By 2019, however, total cash-to-capital contributions have amounted to $76.5 million – a shortfall of $56.5 million.

Further, in 2018 Council decided it would no longer contribute cash to capital in future years. That complicates the funding plan, especially given the unpredictability of provincial roads funding.

In addition, Council in 2018 decided to eliminate using external debt to finance local and regional street renewal. This, by default, means rate payers will be bearing the brunt. Or our streets won’t get fixed.

But there is another looming funding problem: In adopting the 2019 Operating Budget, Council decided that bridge projects could draw funding from the local and regional street renewal reserve. That was a monumental shift away from the purpose of the dedicated levy. It qualitatively changes the deal made with Winnipeggers when the 2% annual tax levy was implemented.

What are the implications of this decision?

A quick review of the expenditures on “bridges” from 2016 to 2019, and the forecasted expenditures from 2020 to 2024, shows that any one year of bridge work can consume all additional revenue raised by the 2% streets renewal levy. From 2014 to 2019, the increase to the reserve amounted to $50.9 million; the total bridge expenditures amounted to $51.9 million.

Respectfully, this change flies in the face of the original purpose of the Local and Regional Streets Renewal Reserve. The levy was designed to address the investment deficit in its streets. It was not designed to add to its burden, an additional $1 billion investment deficit for the city’s bridges and structures.

We cannot afford to set back the local and regional street renewal program in this way. There has to be a better way, a better strategy.

However, the evident problem is that Winnipeg has does not have access to a Plan B - no better way to fund or finance its core infrastructure, including major capital projects. The City is nearing its approved debt ceiling for major capital projects. Given the scale involved, it cannot impose a greater burden on property owners who already bear a huge load for funding basic services.

It is time for a *major shift* in infrastructure finance strategy. It is time to assertively push senior levels of government for a New Fiscal Deal.

To underscore, I point to Page 8 of the your 'Unfunded Major Capital Projects Detail Report.' It succinctly summarizes the City's dilemma: Current demands *"place large pressures on both the operating and capital budgets to the extent that there is an unsustainable structural deficit."* Your words.

The referenced 'major shift' in funding relations is not new - it was recommended to City Council in the 1998 *'Strategic Infrastructure Reinvestment Policy Report (SIRP I)';* in 2000 in the *'SIRP Implementation Committee Report'*; and again in 2011 in *'New Relationship: A New Order, a balanced approach to funding municipal infrastructure in Manitoba'* a report of the Infrastructure Funding Council (IFC).

These three reports spoke directly and in detail, to how Winnipeg (and municipalities, generally) could reposition their futures, through new thinking about revenue sourcing, finance structures and agreements with higher levels of government.

Those reports were never more relevant than they are today. And so, I implore this Council to pull out the IFC 2011 report. If you read only Recommendation 17, you will see a way to start the public discussion.

It provides an outline for a new fiscal deal to be forged for municipalities through reframing the funding relationships with higher levels of government, and to lay out new means for cities and towns to raise revenues dedicated to such purposes.

The current way of funding our infrastructure – unreliable political agreements with federal and provincial governments; heavy reliance on property owners; sewer and water rates; debt leveraging - has proven insufficient.

I respectfully ask you to rethink, to shift, to consider new paradigms.

2019 is an opportune year with both a provincial and federal election. It is a good time to push for a new shared funding formula and responsibilities because the very infrastructure upon which our city, provincial and country's economy and wealth are built, is clearly at risk.

I ask therefore that you add to the report, a recommendation that the Mayor and Council in the pending elections lead Winnipeggers and fellow municipalities and challenge current provincial and federal policy leaders: to commit to enter into a re-organized shared relationship - a *New Fiscal Deal* - with which to reinvest and build our cities and towns - our country; to responsibly set out the priorities for infrastructure and the reliable revenue sourcing to back it up.

It has to start now and it has to get done - to protect our economy, and in that way, protect and fund all other critical services upon which we rely.

I ask you as municipal leaders to be the provincial and national driver, towards a New Fiscal Deal.

Thank you.

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

CentrePort™ Canada

Canada's Centre for Global Trade
WINNIPEG, MANITOBA

BACKGROUND

CentrePort Canada is Manitoba's 20,000-acre inland port and Foreign Trade Zone. The footprint includes land from the City of Winnipeg (CentrePort South) and the Rural Municipality of Rosser (CentrePort North). Most of the development to date has taken place in CentrePort North due to the availability of serviced industrial land.

To date, more than 60 different companies have built or are building new operations at a rate of industrial growth higher than anywhere else in Manitoba. Many of these companies were drawn to CentrePort by infrastructure investments such as the $212-million CentrePort Canada Way, establishment of a special planning area to streamline land development approvals, and water and wastewater servicing.

It is a prime example of how strategic investments in public infrastructure can leverage new private investment and create jobs. Future water and wastewater servicing of the City of Winnipeg lands within CentrePort will enable projects to move forward, including the industrial lands west of the airport campus. In addition to industrial development, a new residential community is planned on 500 acres, connected to Crestview and Heritage Park, which will become home to up to 8,000 residents.

INDUSTRIAL PROJECTS IN CENTREPORT NORTH (RM OF ROSSER LANDS AT CENTREPORT)

Brookside Industrial Park West Phases I and II

- Sold out several years ago - approx. 130 acres
- Examples of companies located here include Fort Garry Fire Trucks, CenterPort Cold Storage, Payne Transportation and Pacific Coast Express Ltd.

Brookside Industrial Park West Phase III

- Approx. 100 acres of fully-serviced, shovel-ready land brought to market by Crystal Developers
- Lots ranged from $325,000-$400,000 an acre and sold out in 6 months
- Projects announced so far include:
    - National Research Council's new $60 million Advanced Manufacturing Centre to break ground this fall.
    - Freightliner Manitoba's new 78,000 square foot facility is under construction and it is anticipated that their new location will open in early 2020.
    - Groupe Touchette recently announced its $20 million, 100,000 square foot new distribution centre. Groupe Touchette will occupy 75,000 square feet and plans to lease out the remaining 25,000 square feet.
    - Canada West Ltd., an Alberta-based developer, has purchased 26 acres and is bringing over 250,000 square feet of build to lease/build-to-suit space to market. Currently the first building, being constructed now, is 70% sold and a second building, starting construction in the next few weeks, is 30% sold.
    - Four additional announcements are pending

Brookside Business Park

- Approx. 150 acres
- Examples of companies include SMS Equipment, FedEx Freight, Goodman Manufacturing Group and Ply Gem Canada

- The only remaining lots in this park belong to a developer who is building multi-tenant buildings – one is complete, and one is currently under construction.
- These buildings will be occupied by some well-known brand distribution centers, announcements are pending

BrookPort Business Park
- Brought to market by Whiteland Developers
- Phase I: 80 acres of fully-serviced lots ranging from $315,00-$385,000 an acre
- The first phase of BrookPort Business Park is currently 75% conditionally sold
- Phase II, an additional 80 acres, is coming to market this fall but some land has already been committed through pre-sales.

CentrePort Canada Rail Park
A 665-acre rail park is planned, which will combine industrial space with logistics infrastructure to serve companies who ship by rail. A Request for Proposals was issued in June 2018 to seek a development partner and negotiations with a private developer are currently under way. It is anticipated that construction will begin in spring 2020.

Market interest in this project is strong. Examples of potential tenants include:
- Regional manufacturing/distribution supercenter – 40 acres
- Bottling plant and warehouse – 20 acres
- Transload facility – 50 acres
- Metal recycling facility – 30 acres

Sturgeon Creek Land Development Corporation
- 225-acre land purchase just north of the planned CentrePort Canada Rail Park

Whiteland Developers (West of Brookside Industrial Park West Phase III)
- Bringing 68 developable acres to market
- Public hearing held June 6, 2019
- Awaiting conditional approval

Imperial Seed
- Manitoba-owned forage and turf seed company, distributes within Canada and to markets in Europe, the United States, Asia and South America
- New CentrePort location opened in 2017
- $8-million facilities on 20 acres
- Facilities include a 20,000 square foot seed processing plant, office space, and seed testing lab, a 30,000 square foot storage warehouse and eight acres of screening, research and demo plots

4 Tracks Ltd.
- Transportation and logistics company currently located in Brookside Business Park
- 40 acre land purchase to accommodate expansion of their operations
- Construction to begin in 2020

CENTREPORT SOUTH (CITY OF WINNIPEG LANDS AT CENTREPORT)

Future Development
1800 developable acres
- 1,100 acres industrial
- 260 acres West Airport Campus (Area Structure Plan complete)
    - Ideal for intermodal facilities, e-commerce distribution centers & foreign trade zone development
- 500-acre residential project (Precinct Plan complete)

CentrePort South's 1,360 acres of industrial/airport lands are larger than the 1,095-combined acreage of Winnipeg's four major industrial zones, which are at or near capacity.

Bison Transport

- One of the largest long-haul carriers in Canada
- Significantly invested in lands at CentrePort with a 475-acre purchase in CentrePort South to facilitate future growth and expansion
- Awaiting servicing to move development forward

Water and Wastewater Servicing

- The City of Winnipeg 2018 capital budget included $2.1 million for the preliminary design of the water and wastewater extensions to CentrePort South