

City Spending on Infrastructure

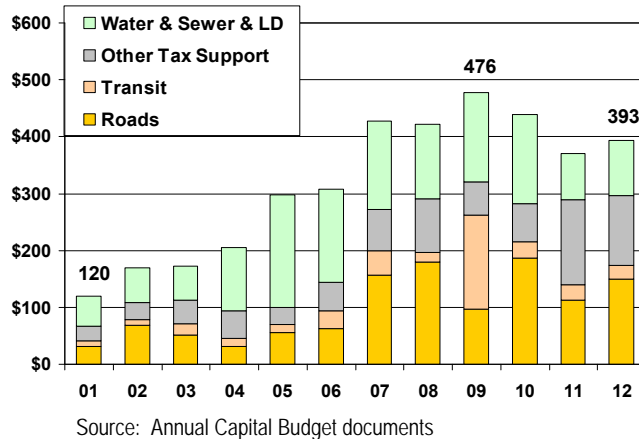
“Although the negative impacts of inadequate public infrastructure are only starting to mount – and become visible to Canadians on a day-to-day basis – we believe that ongoing neglect of the nation’s capital stock presents one of the greatest risks to the country’s overall quality of life.”

TD Bank, May 2004

Increased capital spending – After reductions in capital spending in the late 1990s, the City has, over the last eight years, significantly increased its capital budget. This is partly due to:

- Major wastewater upgrades;
- Use of debt financing for rapid transit, police headquarters and other large projects;
- Use of P3s for the Disraeli Bridge and the Chief Peguis Trail extension;
- Infrastructure funding from the Federal and Provincial governments.

City’s Capital Budgets, 2001 to 2012
(in millions \$)



Factors affecting the increasing need for Infrastructure Spending

- **Capital spending has been deferred** - During the 1990s the City was borrowing large sums annually to build new infrastructure and renew existing infrastructure. With no population growth and the City’s debt having grown to nearly \$1 billion, the City stopped borrowing in 1998.
- **Asset management practices implemented** - City Departments have set up asset management units and are implementing leading practices to manage the City’s infrastructure. This more detailed and sophisticated examination will result in additional infrastructure deficit items being identified.
- **Construction inflation** – From 2000 to 2013, Winnipeg’s overall construction inflation is estimated at about 80%. Thus even if the City infrastructure deficit inventory backlog was not growing, it would still cost 80% more to repair today than it did in the year 2000.
- **Population Growth** - The most recent population forecast was developed by the Conference Board of Canada in 2012. The City of Winnipeg is forecasted to grow by 209,000 people over the next 23 years with a corresponding need for 103,000 more dwelling units, of which nearly half will be multiple units. As comparison, once completed, all of Waverley West is expected to have 12,000 dwelling units. Thus the City’s growth will necessitate additional capital projects for roads, bridges, rapid transit, water and sewer extensions, and facilities such as libraries, fire, police, recreation, etc.
- **Changing Provincial and Federal Legislation** - For wastewater treatment, provincial environmental and operating license legislation has required the service to go through a \$1.2 to \$1.8 billion upgrade to its wastewater treatment plants.

City Infrastructure Spending – Comparing other Cities

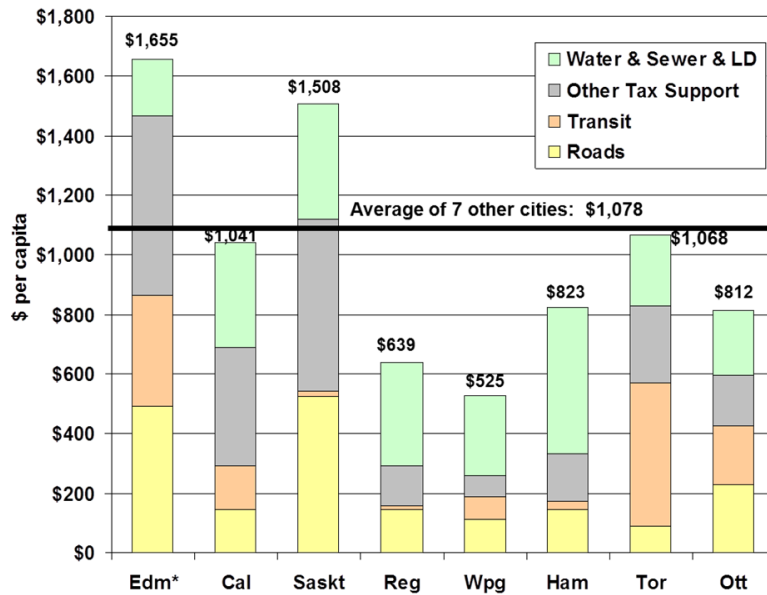
“The infrastructure needs of Canada’s cities—both for new construction and the rehabilitation of existing infrastructure—are significant and growing.”

Canada West Foundation, Sept 2006

When we compare the average annual Capital Budgets of these eight cities, Winnipeg spends the least (\$525) and Edmonton spends the most (\$1,655) on a per capita basis. Levels of capital spending vary significantly between cities. The spending average of the other seven cities is twice what Winnipeg is currently planning to spend.

When looking at each of the components individually, the majority of Winnipeg’s capital funding is going towards water and sewer infrastructure; the next largest amount goes towards roads and then to transit.

Average Annual Capital Budget Comparisons \$ Per Capita



*City of Edmonton's capital budget does not include Water (EPCOR)

Based on 2009 multi year capital budgets

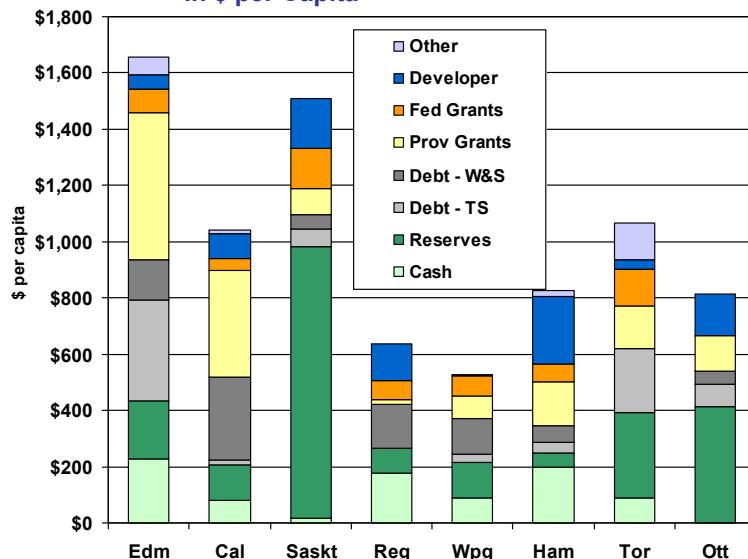
Saskatoon includes city owned development work

Information from 2009 Infrastructure Deficit report to Council

Revenue Sources - Average Annual Capital Budget In \$ per Capita

When we look further at how cities fund their capital work, it’s interesting to see what revenue sources each of the cities relies on.

When we look at the components of what makes up Winnipeg’s capital budget (on a per capita basis), we see that both the provincial grants and developer fees are the lowest of the 7 other cities.



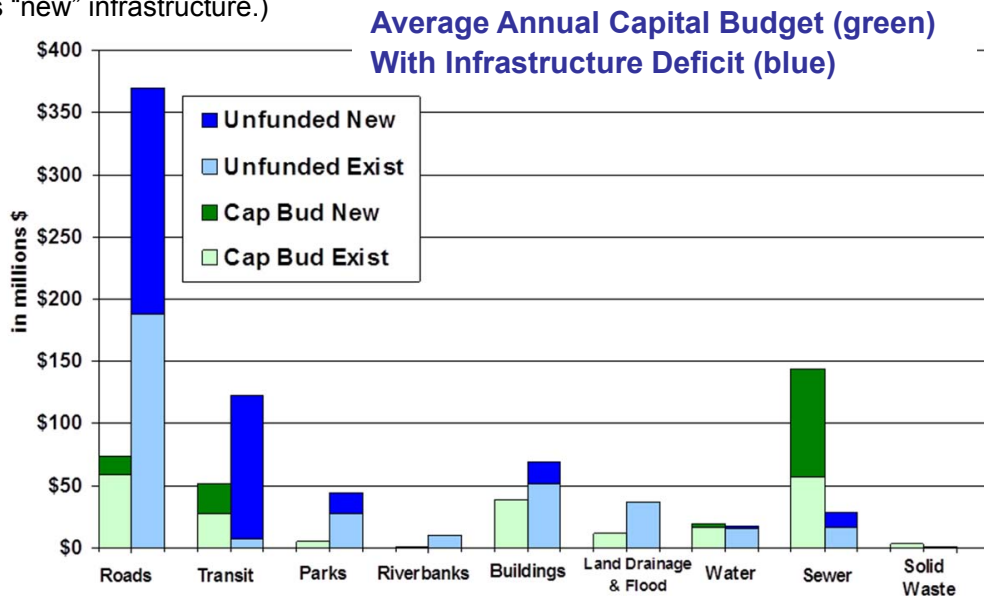
Infrastructure Deficit

For the past 20 years, municipalities have been caught in a fiscal squeeze caused by growing responsibilities and reduced revenues. As a result, they were forced to defer needed investment, and municipal infrastructure continued to deteriorate, with the cost of fixing it climbing five-fold from an estimated \$12 billion in 1985 to \$60 billion in 2003. This cost is the municipal infrastructure deficit, and today it has reached \$123 billion. Dr Mirza, McGill University, Nov 2007

In 2009 the City of Winnipeg Infrastructure Deficit was estimated at \$3.5 billion and is expected to grow by \$3.9 billion over the next 10 years resulting in an expected shortfall of \$7.4 billion by the year 2018.

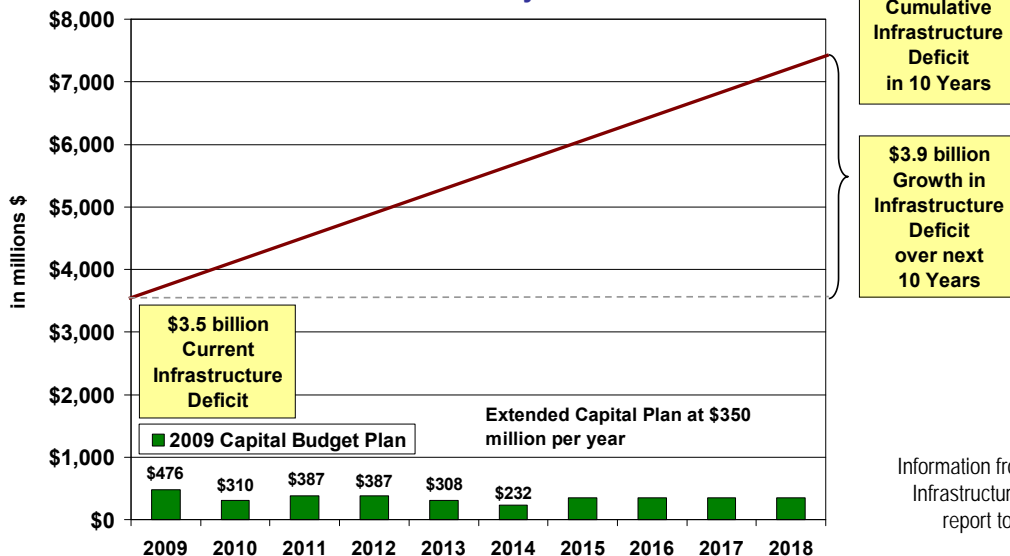
The \$7.4 billion Infrastructure Deficit is made up of two parts: \$3.8 billion relating to existing/current infrastructure and \$3.6 billion related to new additional infrastructure. (Note: replacing an existing fire station with a new fire station is categorized as “existing” infrastructure. Adding a new fire station to an area, such as southeast Winnipeg, is categorized as “new” infrastructure.)

The chart shows the annual spending on infrastructure in green and the needed but unfunded projects in blue.



80% of the new infrastructure is related to transportation; roads, bridges, buses and rapid transit. By far the greatest gap between funded and unfunded need is transportation (roads and transit), although parks and City buildings require significant funding as well.

Average Annual Capital Budget With Infrastructure Deficit based on 10 year view



Information from 2009 Infrastructure Deficit report to Council

Provincial Grants

Winnipeg is now ranked 4th in grants received by the province.

The Province of Manitoba provides annual operating and capital grants to the City of Winnipeg – for 2010 the grants totaled \$190 million or \$278 per Winnipegger.

As shown below, in 2002, Winnipeg received \$177 in per capita grants which was the highest of the 7 other Canadian cities reviewed. But by 2010, even with an increase of 68% in grants, Winnipeg is now ranked 4th and is 17% less than the average of the other 7 cities. This was primarily due to large increases in provincial capital grants to other cities which resulted in nearly tripling their grants.

Provincial Grants - In dollars per capita

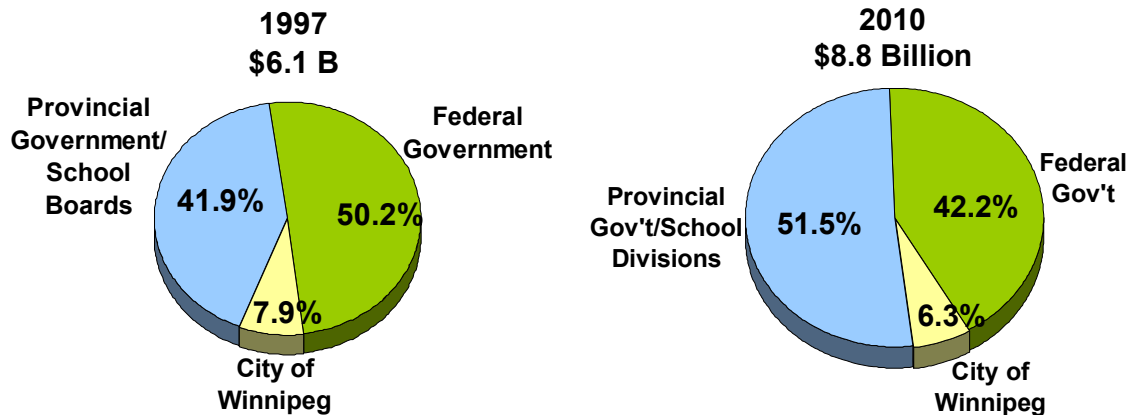
Total Grants	Edm	Cal	Sask	Reg	Wpg	Ham	Tor	Ott	Average of Other Cities
2002 Actual	\$150	\$155	\$50	\$64	\$177	\$86	\$67	\$50	\$89
2010 Actual	\$579	\$536	\$173	\$229	\$278	\$344	\$244	\$231	\$334
rank	1	2	8	7	4	3	5	6	

2010 Actual	Edm	Cal	Sask	Reg	Wpg	Ham	Tor	Ott	Average of Other Cities
Operating	\$91	\$148	\$166	\$173	\$187	\$87	\$98	\$44	\$115
Capital	\$487	\$388	\$8	\$57	\$91	\$257	\$146	\$186	\$218

Source: Annual Financial reports Ontario FIR reports. Excludes social services, public health and housing grants

Winnipeg currently receives the most in operating grants but lags a distant fourth in capital grants. The average capital grants of the top 3 cities equals to \$377 per capita which is over 4 times the amount of what Winnipeg receives in capital grants.

Total Estimated Taxes Paid by Winnipeggers



Source: Revenue Canada Agency and annual financial report.

Does not include transfers

In 1997, 7.9% of all the taxes Winnipeggers paid was collected by the City of Winnipeg; while 41.9% went to the Province, and 50.2% went to the Federal Government.

In 2010, the City government's piece of the tax pie has decreased; and so has the Federal Government's portion.

On the other hand, the Province's piece of the pie has increased.

The City of Winnipeg now collects only 6.3% of the total taxation paid by Winnipeggers.