2023 Preliminary Budget Update
Comments, Concerns and Recommendations about Trades Route Corridors Planning and Design

Executive Policy Committee Meeting
March 16, 2023

Ken Klassen, C.E.T.
Introduction

PUBLIC WORKS - GENERAL CAPITAL FUND

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Trade Route Corridors - Planning and Design</th>
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<tbody>
<tr>
<td>Standing Policy Committee:</td>
<td>Public Works</td>
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<td>Department:</td>
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<td>Service:</td>
<td>Transportation Planning and Traffic Management</td>
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<td>OurWinnipeg:</td>
<td>City Building</td>
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<th>PROJECT COSTS (000's)</th>
<th>2023</th>
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<td>Project Costs (000's)</td>
<td>2,380</td>
<td>420</td>
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<td>Frontage Levy</td>
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<td>Project Costs (000's)</td>
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<th>NET OPERATING IMPACT (000's)</th>
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<td>Operating costs</td>
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<td>Debt and finance charges</td>
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<td>Transfer to General Capital Fund</td>
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<td>Total Direct Costs</td>
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<td>Less: Incremental Revenue/Recovery</td>
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<td>Incremental Full Time Equivalent Positions</td>
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Class Estimate: Not applicable, as this is a program

Funds will support the development of post-preliminary design work for priority major capital transportation infrastructure projects to address priority transportation network improvements. The post-preliminary design work may include value for money assessments for evaluating alternative project delivery methods which may include traditional design/bid/build, design/build, public private partnership, and/or construction management delivery methods.

Project selection will be determined through the investment prioritization process in keeping with asset management best practices. Work will not commence until a class 3 estimate is obtained.
Introduction

- Proposed Route 90 expansion and...
  (from Ness Avenue to Taylor Avenue plus St. James Bridge)
Introduction

- Chief Peguis Trail West Extension
  (from Main Street to Brookside Boulevard)
Project Background:
Capital Costs and Fiscal Impacts
Projected Capital Costs

Most expensive transportation projects in Winnipeg’s history

- Route 90 Expansion
  $500-million (Class 5 estimate, 2020$)

- Chief Peguis Trail Extension
  $471-million (Class 3 estimate, 2020$)
  $598-million (Class 3 estimate, 2027$)

Source: Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.
Total Costs Over 30 Years

- With financing plus operation/maintenance expenses, combined projected total cost is $2.4 to $2.7-billion
  - Route 90 Expansion
    $38.7-million/year × 30 years = $1.2-billion
  - Chief Peguis Trail Extension
    $38.6-million/year × 30 years = $1.2-billion
    $48.5-million/year × 30 years = $1.5-billion

**Source:** Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.
Equivalent Property Tax Increase

- Equivalent to combined property tax increase of about **14% to 16% for 30 years** (based on 2019 rates)
  - Route 90 Expansion: $38.7-million equivalent to **6.9%** increase
  - Chief Peguis Trail Extension: $38.6-million equivalent to **6.9%** increase
  - $48.5-million equivalent to **8.7%** increase

Source: Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.
Federal funding unlikely

- Route 90 expansion **rejected twice** under:
  - Building Canada Fund (2015); and
  - National Trades Corridor Fund (2018)
Federal funding unlikely

Positive cost-benefit and transparency essential

H. Cost-benefit analysis

The CPP must demonstrate a sound analysis of the anticipated safety, efficiency, environmental, social, and international trade and commerce benefits of the project. If applicable, provide a summary of the cost-benefit analysis for the project, including:

- a description of the methodology used for the cost-benefit analysis
- a statement of the major benefits of the project (such as travel time savings, reduced safety costs, expanded capacity, sustainable development, how the local and/or regional community (both businesses and residents) benefit from the project etc.)
- net present value, internal rate of return and net cost-benefit ratio
- an evaluation period (use 30 years) and discount rate (use 10%); and
- a sensitivity analysis

4. The cost effectiveness of the Proposal and the commitment to transparency.

- Assessment of: cost-benefit analysis and resulting ratio; total cost of project relative to expected trade and transportation performance improvements; comparative costs of the different scenarios considered to address the problem (including the status quo scenario); commitment to share project data publicly to demonstrate the benefits of the investment to multiple users

- **Strong proposals will have a benefit-cost ratio greater than one, and demonstrate that a number of alternatives have been considered to address the problem and that the anticipated benefits of the project to the trade and transportation system will be shared among multiple users and outweigh the investment to be made by the federal government**

Federal funding unlikely

- Unrealistic to anticipate significant additional federal infrastructure funding beyond existing commitments
  - Federal fiscal capacity will be limited for years
  - Preference given to smaller requests (under $50-million) by National Trade Corridor Fund

Plunging revenues and sky-high deficits could turn catastrophic for Canadian governments, report warns

'Governments in Canada will struggle over the near and longer terms to dig themselves out of this gigantic fiscal hole'

Freeland sets March 28 budget date as economists urge finance minister to curb spending

Sources:
No sign of provincial funding either

- No funding for Route 90 or Chief Peguis Trail in province’s five-year transportation capital plan
  - Provincial revenue for transportation funding being eroded by:
    - 11-year tax freeze on gasoline and diesel fuel;
    - reduction in vehicle registration fees; and
    - increasing fuel economy standards and growth in electric vehicles

Cost-Benefit Analysis: Mandatory or Just a Good Idea?
The Big Move: Investing in Transportation and Our Economy

“Sometimes, you have to make an investment to get the return on that investment.”
Scott Gillingham, September 12

PROCEED TO UPGRADE TWO NEW TRADE ROUTES

✓ As Mayor, Scott will lead City Hall to proceed with delivery of the Route 90 Kenaston widening (between Ness and Taylor), and the Chief Peguis Trail Extension from Main Street to Route 90. Both projects are critical to goods and freight movement from key Winnipeg industrial parcels, and the Route 90 widening is needed to integrate new developments expected at the old Kapyong Barracks site into the City’s road grid.

✓ Delivery will proceed in four steps: updating designs and cost estimates, completing a business case study to confirm a return on investment for the City’s economy, confirming joint federal and provincial financing, and completing and executing bids for each project. As Mayor, Scott will lead City Council through those steps between 2023-2026 with the goal of having tenders done and shovels in the ground in 2026.

Source: Building a Stronger Winnipeg - Scott Gillingham for Mayor, October 11, 2022.
Cost-Benefit Analysis

- No clear commitment in proposed budget to conduct a new, updated cost-benefit analysis
  - ‘Post preliminary design work may include value for money assessment for evaluating alternative project delivery methods’ is not a substitute for a proper cost-benefit analysis

PUBLIC WORKS - GENERAL CAPITAL FUND

| Project Name: | Trade Route Corridors - Planning and Design |

Funds will support the development of post-preliminary design work for priority major capital transportation infrastructure projects to address priority transportation network improvements. The post-preliminary design work may include value for money assessments for evaluating alternative project delivery methods which may include traditional design/bid/build, design/build, public private partnership, and/or construction management delivery methods.

Project selection will be determined through the investment prioritization process in keeping with asset management best practices.

Work will not commence until a class 3 estimate is obtained.

Cost-Benefit Analysis

- No clear commitment in proposed budget to conduct environmental assessment
  - Numerous unresolved issues related to impacts on human health and natural environment (e.g., increased air pollution, GHG emissions, safety, noise, vibration issues, impact on Assiniboine River crossing, etc.)
  - Difficult to secure funding from senior levels of government without studying and addressing these issues
  - Environmental assessment has been conducted for Chief Peguis Trail Extension, why not Route 90 expansion?

Sources:
2. Chief Peguis Trail Extension West From Main Street to Brookside Boulevard Executive Summary, March 2019, WSP.
Cost-Benefit Analysis

Alternative budget wording:

Funds will support post-preliminary planning and design work for the (1) proposed widening of Route 90 from Ness Avenue to Taylor Avenue (including both spans of the St. James Bridge); and (2) proposed extension of the Chief Peguis Trail from Main Street to Brookside Boulevard.

This work will begin with an independent cost-benefit analysis, using industry best practices, of both projects. In addition, a comprehensive, independent environmental impact assessment will be conducted for the proposed widening of Route 90. (NOTE: An environmental assessment has already been completed for the proposed Route 90 widening.)

Additional design work will be limited to that necessary to produce updated Class 3 capital estimates and information necessary for the cost-benefit analysis of both projects and the Route 90 environmental impact assessment.

Projects which result in a positive benefit-cost ratio (and an acceptable environmental impact assessment in the case of the proposed Route 90 widening) will be evaluated for delivery using alternative project management methods including (1) traditional design/bid/build; (2) design/build; and (3) public/private partnerships.

Project selection for construction will be determined through an updated investment prioritization process in keeping with asset management best practices.
Cost-Benefit Analysis is Mandatory

- Civic policy requires full cost-benefit analysis for all major capital projects

Cost-Benefit Analysis is Critical

Key SIRP funding and recommendation:

• Insufficient Analysis
  …important public policy decisions on the provision of new infrastructure elements are infrequently accompanied by detailed analyses of financial impacts into the future…

• Cost/Benefit Analysis
  “That any new publicly-funded infrastructure project be accompanied by a cost/benefit analysis which establishes its need and sustainability to clearly justify its construction. “

Investment Planning Framework

- City’s Asset Management Program and Investment Planning Framework:
  - Five-step process that departments must use to “…justify investments, clearly articulate needs and weigh the costs and benefits associated with competing priorities.”

<table>
<thead>
<tr>
<th>Goals &amp; Objectives</th>
<th>Investment Needs</th>
<th>Solution</th>
<th>Investment Priority</th>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearly define targeted Levels of Service</td>
<td>Identify needs that will address potential risks to asset performance and service delivery</td>
<td>Develop Business Cases that articulate the investment need and include an options analysis that supports the solution identified</td>
<td>Evaluate investments using a multi-criteria prioritization model to rank projects</td>
<td>Strategically deliver projects that fulfill objectives, core service needs and positively impact citizens</td>
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</table>

Source: City of Winnipeg 2020 Infrastructure Plan, December 2019.
Investment Planning Framework

- Major problems with current prioritization method
  - Points-based ‘Multi-Criteria Decision Analysis’ method, is **not** a true cost-benefit analysis
  - Fails to disclose critical financial information to Council and taxpayers about whether major transportation projects are a wise investment (e.g., Benefit-Cost Ratio, Net Present Value, Internal Rate of Return)
  - Poorly understood by Council and taxpayers

**Benefit Points Equation**

\[
\left\{ \text{LOS Benefits} + \text{Strategic Alignment} \right\} \times \text{Service Usage} \times \text{Service Impact} \} \times \text{Service Importance} = \text{Total Benefit Points}
\]

*Source: City of Winnipeg 2020 Infrastructure Plan, December 2019.*
Investment Planning Framework

- Review and update before next four-year budget!
  - Hasn’t been updated since 2013
  - Doesn’t reflect important new policies and opportunities, especially Community Energy Investment Roadmap (2022)
  Climate Change Action Plan (2018) and

The City is currently reviewing and updating its asset management prioritization model, which has been in use since 2013. Once the revised version of the asset management prioritization model is complete, the City will further assess unfunded major capital projects.

Source: Unfunded Major Projects Capital Projects Detail, May 2019, City of Winnipeg.
Proposed Route 90 Expansion: Reality Check
Confusion about whether project has been subjected to a cost-benefit analysis

- Preliminary cost-benefit analysis completed in April 2012 by MMM Group
- Some updates for National Trades Corridor application submitted in November 2017
- Only released in response to a Freedom of Information and Protection of Privacy Act (FIPPA) application

Sources:
2. FIPPA Application Number 16 05 477, June 2, 2016.
3. FIPPA Application Number 18 06 537, June 7, 2018.
Incremental Cost and Net Benefits

- Majority but not all project costs are due to expansion
  - Necessary costs to maintain or rehabilitate existing infrastructure were excluded from analysis by MMM Group.
  - Net present value of benefits of expansion from 2012 analysis: $125-million over 20 years or about $6.3-million per year

Projected Capital Costs

- Extraordinary increase in projected capital cost compared to CPI and construction inflation
  - 2009: $129-million
  - 2015: $375-million, **290% higher**
  - 2018: $450-million, **348% higher**
  - 2020: $500-million, **388% higher**

(2009 to 2020 Consumer Price Index: **21% higher**)

Sources:
3. Route 90 Improvement Study (2018), City of Winnipeg.
Benefits Clearly Do Not Exceed Costs!

- Economic rationale for proposed Route 90 expansion has **completely collapsed** due to soaring costs
  - Costs are about **$38.7-million/year** ($1.2-billion over 30 years, 2020$).
  - Discounted user benefits are about **$6.25-million/year** ($125-million over 20 years, 2012$).
  - Benefits do not come anywhere close to ‘clearly exceeding the costs’ even with adjustments to assumptions (i.e., reduce costs to those only associated with expansion; apply discount factor to costs; and adjust user benefits for inflation and analysis period).

Sources:
2. Unfunded Major Capital Project Detail, May 2019, City of Winnipeg.
Lack of Transparency

- Lack of transparency sharing results of preliminary and updated cost-benefit analysis with Council and public
  - Excluded from numerous opportunities including (but not limited to):
    - Public consultation program held in 2012 and 2018
    - ‘Documents’ posted on project website
    - Council seminar for ‘additional information about projects’ for Building Canada Fund application
Trade Corridor Importance Has Shrunk

Several factors erode claim that Route 90 expansion is essential to improve access to CentrePort Canada

- Most significant source of large truck traffic, CN Intermodal Terminal, has moved to Symington Yards
- Upgraded Perimeter Highway, coupled with CentrePort Way, will further divert Route 90 truck traffic between Taylor Avenue and St. James Bridge

CN marks opening of Winnipeg intermodal terminal

CN yesterday held a ceremony to mark the opening of a new $16 million Winnipeg intermodal terminal at Symington Yard on the eastern side of the city.

The new terminal, which has been handling traffic since the end of July, was completed in less than one year from the date CN announced plans to relocate its Winnipeg intermodal facilities from south Winnipeg.

Source: CN marks opening of Winnipeg intermodal terminal, September 11, Canadian Shipper.
Congestion Relief Only Temporary

- Unfounded optimism about how effective project will be in relieving congestion
  - Federal funding application shows that relief will only be temporary and congestion will become worse than ever
  - Current (2017) corridor travel time: 9.6 minutes (p.m. peak)
  - Projected 2041 corridor travel time: 20 minutes (p.m. peak)

Source: National Trade Corridor Fund (NCTF) Expression of Interest (EOI) Submission, Oct. 6, 2017, City of Winnipeg
Adding Lanes Most Expensive Approach

- Adding lanes to accommodate additional traffic is the most expensive and less effective method to address congestion.

Capacity of 3.5 m wide road, different modes:  
- Mixed Traffic: 2,000
- Regular Bus: 9,000
- Cyclists: 14,000
- Pedestrians: 19,000
- BRT (Single Lane Bus): 20,000
- Light Rail: 22,000
City's Kenaston plan won't work, outside consultant told Crown land authority in October – Winnipeg Free Press

7:00 PM CDT Thursday, Jul. 12, 2018

The consulting firm hired to redesign the former Kapyong Barracks property agrees with area residents who believe the plan to widen Kenaston Boulevard is flawed and will negatively impact surrounding neighbourhoods.

A letter sent from B.C.-based Urban Systems to Canada Lands Company says the City of Winnipeg is intent on turning Kenaston into an “urban freeway” — an approach that fails to mesh with CLC’s proposed development of the Kapyong property.

“Developing Route 90 into an urban freeway will create disruptions through significant acquisitions of the Kapyong lands by the city as required to meet right-of-way requirements for an urban freeway,” a principal of the firm says in a letter dated Oct. 23, 2017.
Hit the Reset Button

Won’t be the first time that City of Winnipeg has sought other more affordable options

Council told to ditch $566-M Marion Street project

By: Kevin Rollason
Posted: 4:21 PM CDT Thursday, Sep. 15, 2016

Civic bureaucrats are recommending that a half billion dollar plan to reconfigure part of Marion Street be scrapped because it is too expensive.

St. Boniface city councillor Matt Allard, who last year joined area residents in condemning the proposal, said that he’s pleased by the recommendation, coming up at next week’s Infrastructure Renewal and Public Works Committee.

“I feel vindicated,” Allard said on Thursday as he stood at Marion Street where it crosses Archibald Street.
Stop Underfunding Maintenance

- In the interim, stop ‘demolition by neglect’ by increasing Route 90 provisional maintenance budget
  - $100K annual budget hasn’t been increased for over 20 years!

PUBLIC WORKS - GENERAL CAPITAL FUND

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<td>REGIONAL STREET RENEWAL PROGRAM</td>
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<td>2023  2024  2025  2026  2027  2028  Six-Year</td>
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<td>Regional Provisional Maintenance:</td>
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Sensible Congestion Solutions:
Victoria Transport Policy Institute

Smart Congestion Relief
Comprehensive Evaluation of Traffic Congestion Costs and Congestion Reduction Strategies
10 November 2022

Todd Litman
Victoria Transport Policy Institute
Summary and Recommendations
“We’re over our heads with the roads we have.”

— Councillor Janice Lukes, chair of the Public Works committee

If the roads we built in the past didn’t create enough economic activity to pay for themselves, not even close, then the way forward isn’t “more roads”. We shouldn’t need a cost-benefit analysis to see that the Kenaston/Chief Peguis projects are unqualified losers. Some of us did that math years ago already, for free.

But if we must, then let’s do one before we drop even one red cent, let alone $2.8 million, into design and planning of one of the largest mistakes of our generation.
Winston Churchill once said to a woman berating him for changing his position, “When the facts change, I change my mind. What do you do, madam?”