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Greening Winnipeg's Budget

A Submission to EPC and Council from Green Action Centre
March 13, 2012

SUMMARY

The commendable commitments of City Council and the Public Service to plan a Sustainable Winnipeg need budgetary support. Green Action Centre proposes principles for sustainable budgeting and then examines expenditures and revenues in their light.

Principles of sustainable budgeting: Green budgeting promotes the most efficient way to create a high quality of life over the long term with low negative impacts. Expenditures and revenues should promote a more just and sustainable society. (a) Make it easier and more rewarding to live sustainably; while (b) removing perverse subsidies for less sustainable alternatives like sprawl and fossil fuel consumption. (c) Plan and invest for a more sustainable future. (d) Take a full-cost accounting perspective to assess costs and benefits of actions. (e) All else being equal, users imposing social costs should pay for them; but also (f) insure that basic welfare and human development needs are provided for all citizens.

Expenditures: The 2012 capital and operating budgets take a number of important steps to invest in a sustainable future, but the timely completion of the Southwest Rapid Transit Corridor once again appears to be in jeopardy. Transit and active transportation must become increasingly attractive to compete with private autos for a growing share of the trips that Winnipeggers take.

Green Action Centre recommends:

1. Retaining the commitment to complete the SW RT Corridor by 2016 and fill the gaps in continuity of bike routes to U of M before that time; and

2. Prioritizing transit and active transportation upgrades to high-traffic routes across the city in the next two years. Diamond lanes, bus priority signals, shelters at express stops, more park-and-rides, removing street parking from trunk routes, and increased express service can precede new BRT lines where warranted.

Revenues: Green Action Centre agrees that responsible budgeting requires finding revenues to match expenditures over time, but the 20 cent transit fare hike was ill-considered and unfair when drivers of cars and trucks have been free from increases for the past two decades. The sewer and water utility provides a more sustainable model, which should extend to road users to promote conservation, increase fairness, lower long-term infrastructure costs, and raise needed revenues.

Consider the following. The city levies a 2.5% municipal tax on electricity (applied on top of GST and PST). A 2.5% municipal tax on retail sales of gasoline and diesel fuel would yield around $22 million for Winnipeg. A 1% tax would yield around $9 million, which is one and a half times the $6 million that the city hoped to recover from the 20 cent transit fare increase.

Green Action Centre recommends:

3. To insure adequate funding for both rapid transit and road expenditures, the city should raise an additional $9 million per year for transportation infrastructure from a 1% municipal tax on the retail price of gasoline and diesel fuels sold within the city.

   Alternatively, the city could increase the mill rate on parking lots downtown and at shopping malls (with a possible rebate for spaces made available for park and ride).

4. For the longer term, Council should direct the Public Service to identify and evaluate other options for raising revenues from motor vehicles, such as tolls using transponder technology, a car registration tax, and examples from other jurisdictions. [See The Victoria Transportation Policy Institute website for other funding options.] Challenge the province to do likewise and to negotiate a sustainable provincial and municipal funding regime for transportation infrastructure.

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March 13, 2012

Winnipeg's City Council and Public Service can take some pride in the creation and adoption of a new city plan for a Sustainable Winnipeg and for the implementation strategies contained in the Garbage and Recycling Management Plan, Transportation Management Plan and Transit Oriented Development Handbook.

To bear fruit, these plans require Council's continuing support and, in particular, appropriate budgets. Winnipeg brings in almost a billion dollars in revenue each year. Additional funds are raised from debt. How that money is raised and spent has major impacts on our environment, our quality of life, and the city's future, both positive and negative.

Our comments fall under three headings: principles, expenditures and revenues.

Principles of sustainable budgeting

Green budgeting promotes the most efficient way to create a high quality of life over the long term with low negative impacts. We call it "living green, living well." Expenditures and revenues should be chosen to promote a more just and sustainable society. Such measures

a) Make it easier and more rewarding to live more sustainably (e.g. free or low-cost recycling and public transportation services and supporting infrastructure);
b) Remove perverse subsidies for less sustainable alternatives like sprawl and fossil fuel consumption;
c) Promote planning and investments for a more sustainable future (e.g. economically and ecologically efficient buildings, communities and transportation);
d) Take a full-cost accounting perspective in assessing the costs and benefits of actions (i.e. the social, ecological and economic costs and benefits of building, energy and transportation choices);
e) Other things being equal, have users who impose social costs pay for those costs; but also
f) Insure that basic welfare and human development needs (e.g. mobility, security, health and education) are provided for all citizens.

[1] Green Action Centre is a non-profit, non-government hub for greener living based in Winnipeg and serving Manitoba. We are a registered charity, governed by an elected community board. We promote greener living through environmental education and encourage practical green solutions for homeowners, workplaces, schools and communities. Our many activities and concerns are displayed at our website http://greenactioncentre.ca/. They include the promotion of green budgets and a green economy through Public Utilities Board interventions and government consultations.

Principles (a) through (d) lead to a more sustainable society. Principles (e) and (f) represent two aspects of a just society that need to be reconciled – paying the costs of ones actions and meeting basic human needs. Despite some potential tension between them, justice requires attention to both.

With these principles as a guide, we turn to expenditures and revenues.

Expenditures

The 2012 capital and operating budgets take important steps to invest in a sustainable future.

- Improve sewer and water infrastructure and treatment
- Create a modern comprehensive waste management system
- Resurface and repair streets to lengthen their lives
- Enhance snow clearing of pedestrian and bike paths
- Economical purchase of "bendy buses" to address transit peak capacity issues
- Opening the Rapid Transit line to Jubilee and providing 55,000 extra transit service hours
- Enhance tree pruning to protect our treasured urban forest

All the above are important investments. But where you must not falter is in your commitment to a timely completion of the extension of the Southwest Rapid Transit corridor to the University of Manitoba. This is a question of establishing sustainable transportation priorities and revenues.

Green Action Centre Recommendations

1. Retain the commitment to complete the SW RT Corridor by 2016 and fill the gaps in continuity of bike routes to U of M before that time.

2. Prioritize transit and active transportation upgrades to high-traffic routes across the city in the next two years. Diamond lanes, bus priority signals, shelters at express stops, more park-and-rides, removing street parking from trunk routes, and increased express service can precede new BRT lines where warranted.

Transit and active transportation must become increasingly attractive, fast, efficient, economical and safe alternatives to compete with private autos for an increasing share of the trips that Winnipeggers take. As Peg City Car Co-op puts it: Bike. Walk. Bus. And Sometimes, Drive.

Revenues

The revenue dilemma

The recently cancelled 20 cent transit fare increase has put transit-users and Council members through the wringer. You are now back to square one, with an unfunded commitment to complete the SW RT Corridor by 2016 in the Transportation Management Plan.

We agree with Council that responsible budgeting requires the identification of revenue sources to match expenditures over time. We understand that motivation for the last-minute adoption of the 20 cent fare increase. Nevertheless we are on the side of the many protesters who found the increase to be ill-considered and unfair. In a year in which capital spending on roads and bridges increased 34%, only transit-users faced a cost increase, not drivers of cars and trucks.

If the budget were to change priorities and put existing resources behind transit improvement, including the remainder of the SW RT Corridor, it would no longer be unfunded, but some other part of the budget might be (e.g. road construction) unless you can raise further revenues.

The attached Winnipeg Free Press op-ed, *Manitoba drivers get a free ride on the gas tax,* points out that, although road and bridge construction, maintenance and servicing are major drivers of city costs, the vehicles and drivers they service have been astonishingly exempt from paying these increased costs for the past two decades. In contrast, users of other city services such as sewer and water, transit, recreational facilities and now garbage collection regularly pay more to meet incremental spending or inflation. The road-user exemption is unfair and unsustainable budgeting. [See attachment 1.]

You have other choices that better fit the principles of sustainable budgeting through reprioritization of expenditures or new revenues. In particular we urge Council to extend the city's sewer and water funding model to the drivers that use our roads.

A sustainable funding model

The 2012 Sewer and Water Rates report attached to your March 14th agenda says (p. 5)

> *The good news is sustained conservation will eventually result in future capital cost savings. Winnipeg's population is forecasted to grow to over 760,000 by 2021. Conservation can eliminate the need for costly expansion of existing infrastructure.*
>
> *The Department is moving to full cost recovery of the City's water, sewer and overstrength charges. The objective is to determine service rates by class of customer, using industry standard cost allocation practices. The Department studied and identified analytical models to develop financial plans for delivery of water, sewer and overstrength charges. The proposed rates in this report include components of the study.*

Likewise, the good news for investing in sustainable transportation is ultimate cost savings and the fairest way to raise revenues for infrastructure costs is to charge road users proportionately to their use.

Motor vehicles take up space, whether they are crowded together at rush hour or parked, usually at no cost to them, along trunk roads like Pembina or Osborne. [See attachment 3.] But the costs in time and road expansions and extensions are huge. As Bill McKibben reports (Deep Economy: The Wealth of Communities and the Durable Future, p.154),

> *...[A]ccording to a recent World Bank report, cities that emphasize walking, cycling, and public transport spend a far smaller percentage of their total wealth on moving people around than car-oriented cities do: only 4 or 5 percent of their wealth is expended on transport compared with up to 17 percent in freeway-dependent cities like Phoenix.*

In principle, Winnipeg has already chosen the more efficient and economical sustainable transportation route. That choice in principle needs to be supported in the city budget.

Applying the sustainable funding model to transportation

How can that be done?

First use unbiased language in reporting costs. On p. 37 of the draft budget, only the net cost of Public Transit is singled out and separately listed as a subsidy. This does not occur for Roadway Construction and Maintenance, Transportation Planning and Traffic Management, Roadway Snow Removal and Ice Control, Solid Waste Collection, Police Response, Medical Response or any other net costs in the budget table. If we took just the first three budget lines (underlined) and ignored police and medical responses arising from motor vehicle use and accidents, a more balanced presentation of the numbers would be: Motor Vehicle Subsidy - $67.7 million, Public Transit Subsidy - $46.4 million.

Given a choice between subsidies, a sustainable (and efficient and economical) Winnipeg favours investments in an attractive, fast, safe and reliable public transit system.

But there are fair and sustainable options for revenue growth capable of funding both transit and road upgrades.

Consider the following. The city levies a 2.5% municipal tax on electricity (applied on top of GST and PST). A similar tax on retail sales of gasoline and diesel fuel would yield around $22 million. A 1% municipal tax on motor fuels would yield around $9 million, which is one and a half times the $6 million that the city hoped to recover from the twenty cent transit fare increase. Note that the province, unlike many other jurisdictions, charges no PST on motor fuels, so there is potentially a 7% tax space on fuels that could be allocated to municipalities.[2]

The Victoria Transportation Policy Institute lists many other funding options. [See attachment 2.]

Green Action Centre recommends

3. To insure adequate funding for both rapid transit and road expenditures, the city should raise an additional $9 million per year for transportation infrastructure from a 1% municipal tax on the retail price of gasoline and diesel fuels sold within the city.

   Or, alternatively, the city could raise a comparable amount by increasing the mill rate on all parking lots downtown and at shopping malls (with a possible rebate for spaces made available for park and ride).

4. For the longer term, Council should direct the Public Service to identify and evaluate other options for raising revenues from motor vehicles, such as tolls using transponder technology, a car registration tax, and examples from other jurisdictions. Challenge the province to do likewise and to negotiate a sustainable provincial and municipal funding regime for transportation infrastructure.

Thank you for the opportunity to provide our recommendations for a more sustainable and fair budget.

[2] These are back-of-the-envelope calculations for illustrative purposes only, which assume that gas and diesel fuel sales in Winnipeg are 40% of the provincial total and amount to 760.9 million litres with an average retail price of $1.18/litre.

Attachment 1

THE VIEW FROM THE WEST

Winnipeg Free Press - PRINT EDITION

Manitoba drivers get free ride on gas tax

By: Peter Miller
Posted: 02/17/2012 1:00 AM | **Comments: 16 (including replies)**

Municipal officials agree there is a huge infrastructure deficit and a recent survey indicates a majority of Manitobans backs a dedicated infrastructure tax to pay for it. (Manitobans back infrastructure tax, Free Press, Jan. 28).

But should that tax be an addition to the sales tax, as the Association of Manitoba Municipalities advocates?

I think not.

A more equitable and sustainable alternative is to increase the fuel tax. Why? Because motor vehicles are a primary cause of increasing infrastructure costs, yet they pay an ever-declining portion of the costs they impose. This imbalance starves public resources that could meet other vital needs.

Consider Winnipeg city council's spur-of-the-moment decision to add an extra 20 cents to the 2012 bus fares. Besides being hasty and uninformed, the increase inequitably targeted bus users in a year in which the road budget grew by 34 per cent.

No comparable revenue increase was sought from motor vehicle owners, whose mobility depends on roads.

Fees for city services, for recreation, for sewer and water, for transit, and for garbage collection rise to meet incremental spending or inflation.

But motor vehicles, which demand an increasingly expensive network of roads and bridges, are sacrosanct -- untouchable as a source of revenue to meet their growing costs. Instead we hear a despairing lament about an "infrastructure deficit" and calls for a bigger share of sales tax, but not on fuel.

Here are the facts:

The present Manitoba fuel tax of 11.5 cents per litre has remained unchanged since 1993, through two decades of inflation, and yields less than half the cost of the province's investments in roads and bridges.

General revenues such as income and sales taxes make up the difference. Municipal investments in roads and bridges are additional and paid largely from property taxes.

Both levels of government face further costs from motor vehicles, including medical care for accident victims and policing. Over a third of Manitoba's GHG emissions arise from the transportation sector.

Yet vehicle owners are not charged the costs of extreme events attributable to climate change. Instead victims and governments pick up the bill.

Unlike many other jurisdictions, Manitoba exempts fuel from the provincial sales tax. Hence the general taxpayer faces a double whammy both subsidizing motor vehicle usage and picking up this economic sector's share of the tax burden in support of health, education and government services.

Of course, we all depend on motor vehicles, but differentially. The net effect is we live in a more costly society than necessary and those who choose the most efficient and sustainable transportation modes subsidize those who don't.

The average Canadian pays 11 cents per litre more than Manitobans in gasoline taxes, i.e. 37.9 cents versus 26.9 cents per litre. Bringing fuel taxes in line with the rest of the country would add $150 million to $200 million per year to infrastructure budgets.

Based on extensive consultation, 2020 -- Manitoba Transportation Vision reports, "Manitobans suggested an increase to fuel tax, on the condition that such fuel taxes are directed into a fund specifically dedicated for transportation-infrastructure renewal."

Yet the NDP government chose to impose an ever-increasing burden on other revenue sources rather than accept the recommendation to raise fuel taxes to meet infrastructure costs.

Vastly underpricing the cost of motor vehicle operations by freezing the fuel tax is a massive perverse subsidy that undercuts recommendations for greater fuel efficiency and reduced driving from the Vehicle Standards Advisory Board.

The VSAB observes Manitobans' total annual vehicle kilometres travelled increased by 27 per cent from 2000 to 2007 when the national increase was only 6.5 per cent.

We all benefit from motor vehicles, but providing huge subsidies from the public purse distorts their true costs, encouraging less sustainable and efficient transportation choices, and starves the resources available for other public investments. Until motor vehicles pay their fair share of societal costs, particularly the costs they impose, an increase to the sales tax to make up the shortfall is unwarranted.

Peter Miller, a retired University of Winnipeg philosophy professor, is chairman of the Green Action Centre policy committee.

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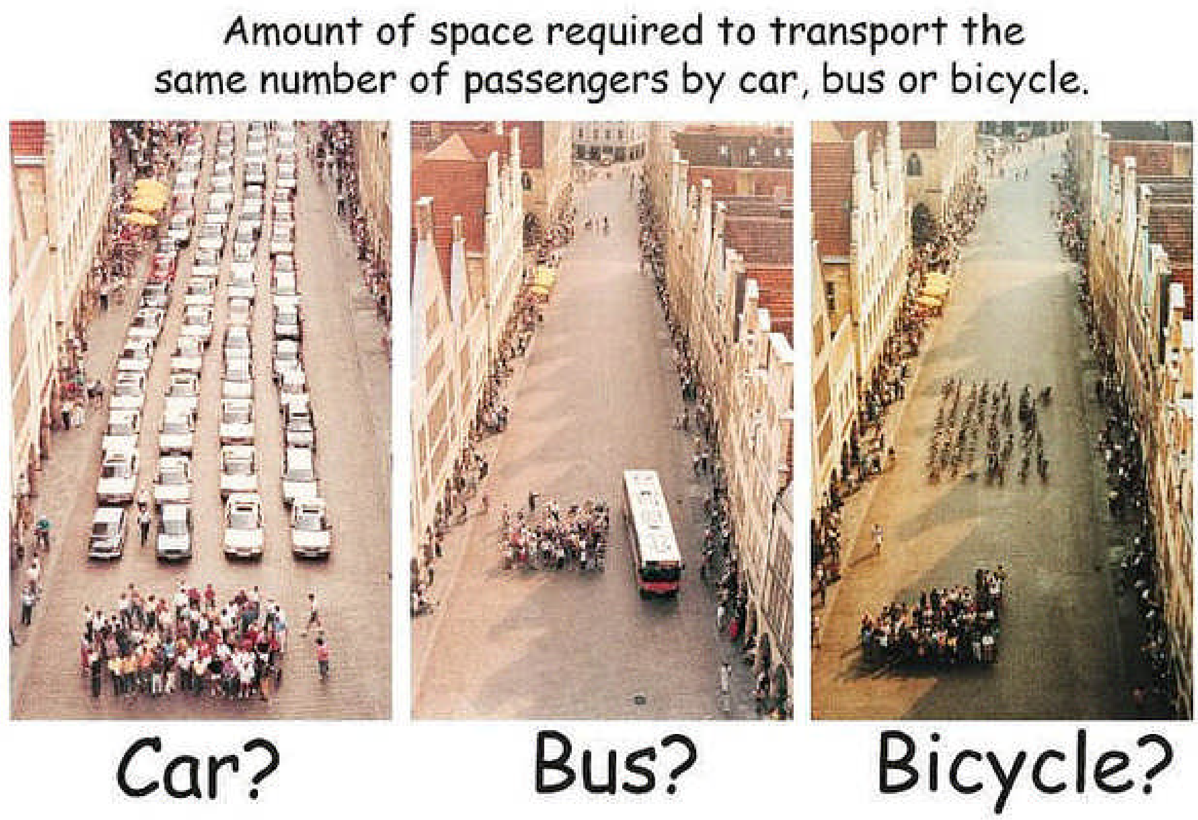
Attachment 2

A great source for transportation funding options is the Victoria Transportation Policy Institute. The following excerpt is from http://www.vtpi.org/tdm/tdm119.htm.

> Although there are many possible funding sources, some are particularly appropriate because they support other planning objectives such as traffic and parking congestion reduction, more accessible land use development, pollution reductions, and increased Equity. Below are common funding options:
>
> - Parking Pricing. Some jurisdictions and campuses dedicate public parking revenues to transportation programs.
> - *Special Parking Taxes.* Some jurisdictions impose special taxes on commercial parking transactions or on parking facilities (Litman, 2006).
> - Road Pricing. Some communities use road tolls and congestion fees to fund transportation programs, including roadway facilities, transit improvements and TDM programs.
> - Fuel Tax Increases and Surcharges. Some jurisdictions dedicate a portion of fuel tax revenues to special transportation programs (such as dedicating 1% of fuel tax revenues to nonmotorized facilities), or impose an optional, additional fuel tax for local transportation programs.
> - Carbon Taxes. These are special taxes based on fossil fuel carbon content, and therefore a tax on carbon dioxide emissions.
> - *Dedicated local or regional sales taxes.* This may require a public referendum.
> - *Payroll taxes.* Some jurisdictions impose a special tax on employers to finance public transportation or other commuter services. For example, about half the costs of Portland, Oregon's TriMet transit system if financed by a 0.72% payroll tax (ODOR 2010).
> - *Transportation Impact Fees.* These are fees paid by developers based on the transportation costs imposed by their projects. For example, a developer may be required to pay for roadway improvements, public parking facilities (called *in lieu* fees), funding for a Transportation Management Association, walking and cycling improvements, or other programs that mitigate local traffic impacts.

- *Special Property Taxes.* Some jurisdictions impose special property taxes in areas served by transportation programs and services, sometimes called a *Local Improvement District* or *Land Value Capture* (Smith and Gihring 2003; Wetzel 2006; CTOD 2008).
- *Vehicle impact mitigation fees.* This is a fee on each vehicle registered in the region to pay for programs and projects that serve motorists and mitigate the negative impacts caused by vehicle traffic.
- *Business or Employee Assessments.* Some Transportation Management Associations and Commute Trip Reduction programs are funded by a special assessment on businesses in an area, based on floor area, revenues or number of employees.
- *Grants*, such as foundation or government grants to help fund programs and facilities, such as school transportation safety education, and transit stations.
- Require certain types of improvements on private properties (sidewalk installation and repairs, street trees, etc.) when real estate is sold (Shoup, 1996)
- *Special Funding For Transportation Problem Solving.* Various federal, state, provincial and private funds may be available for transportation programs that address specific problems. For example, TDM programs may qualify for U.S. federal Congestion Mitigation and Air Quality (CMAQ) funding, and Canadian sustainable infrastructure grants. Other funding programs support energy conservation and emission reduction activities, nonmotorized facilities (public trails and streetscapes) and encouragement projects, school trip pedestrian safety, Smart Growth and urban redevelopment activities, mobility services for transportation disadvantaged people (low income, people with disabilities, children, elderly people, etc.), and various other planning objectives that TDM strategies often support.

Attachment 3



(Poster in city of Muenster Planning Office, August 2001)

Credit: Press-Office City of Münster, Germany