

**Agriculture and Rural Affairs  
Committee Presentation**

**2016 Draft City of Ottawa  
Tax Supported Budget  
November 23, 2015**

Good Morning. My name is Dale Harley and I am Executive Advisor to the National Capital Heavy Construction Association.

Thank you for the opportunity to provide input into the 2016 Tax Supported Budget.

**The Road Not Taken**



- "The Road Not Taken" is a poem by Robert Frost
- Two roads diverged in a wood, and I — I took the one less traveled by, and that has made all the difference.
- You do have a chance to make a difference for the benefit of all taxpayers

The theme of this year's presentation is "The Road Not Taken"

Many of you may remember this as one of Robert Frost's most famous poems

The poem ends with... "Two roads diverged in a wood, and I — I took the one less traveled by, and that has made all the difference."

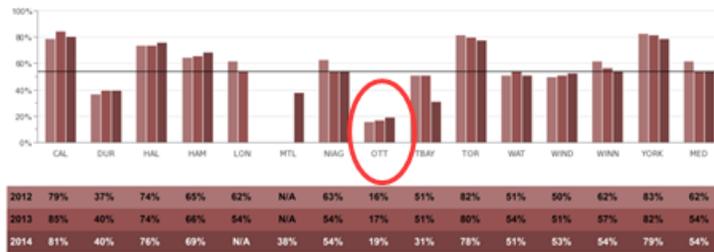
The parallel that I am attempting to make is that we hope that this Council does not regret making the wrong choice when it comes to investing in needed road repairs.

You do have a chance to make a difference for the benefit of all taxpayers and choose to address the sorry state of Ottawa roads.

**2014 OMBI Performance Measurement Report**

What percent of paved roads are rated good to very good?

Fig 28.5 Percent of Paved Lane Km where the Condition is Rated as Good to Very Good



You may be of the opinion that as representatives of the National Capital Heavy Construction Association, we are proposing that Ottawa should be spending more on roads simply to feather our own pockets. As taxpayers and business owners in Ottawa, we are concerned about the poor quality of City of Ottawa roads and the negative impact this has on our local economy.

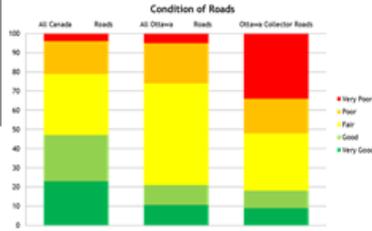
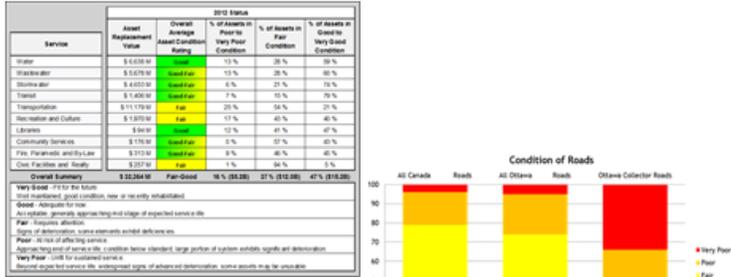
While it may be our opinion that the quality of roads is poor in Ottawa, it is also the findings of the Ontario Municipal Benchmarking Initiative report that was presented to Council a few weeks ago.

Their 2014 report revealed that Ottawa had the worst roads of the major cities participating in their benchmarking study.

Only 19% of paved roads in Ottawa were rated as being in good or very good condition. This compares to a mean of 54%.

Clearly, road infrastructure in Ottawa needs attention.

## Infrastructure Report Card



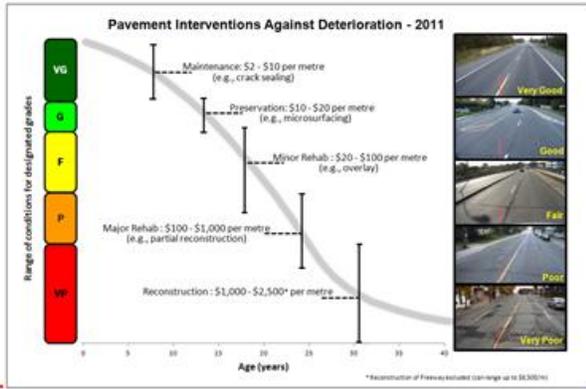
The OMBI Report confirms the finding of the 2012 Canadian Infrastructure Report Card.

The City's own analysis of the report card results clearly shows that Roads are by and far the worst off when it comes to condition of city assets.

According to the Infrastructure Report Card, while almost 50% of roads in Canada are deemed to be in good or very good condition, the story in Ottawa is quite different.

In the City of Ottawa, just of 20% of all roads are deemed to be in Good to Very Good condition. The story gets even scarier when you look at Collector Roads, where over 50% are rated as being in Poor to Very Poor condition.

## The cost of deferring maintenance



You may conclude that as an industry we would want you to defer investing in regular maintenance and preservation of roads so that we could make even more money down the road (no pun intended) charging you to undertake a major rehabilitation or reconstruction.

As your own Comprehensive Asset Management Program Report notes, "Deferring maintenance of infrastructure assets has a cost that can present itself in the form of increased future renewal costs or reduced service."

As can be seen in this figure, the cost of rehabilitating a road increases 5 to 10 times if a partial reconstruction has to be undertaken instead of an overlay.

And if a major rehabilitation is not conducted when it is needed, a reconstruction will cost even more.

And it is not just increased construction costs that are incurred by delaying infrastructure renewal investment.

According to a technical paper prepared by the World Bank, the economic costs of poor road maintenance are borne primarily by road users.

When a road is allowed to deteriorate from good to poor condition, each dollar saved on road maintenance increases Volatile Organic Compounds by between \$2 and \$3.

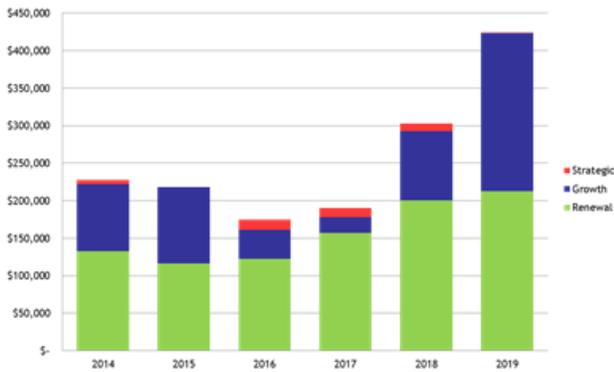
Far from saving money, cutting back on road maintenance increases the cost of road transport and raises the net cost to the economy as a whole.

## The Impact on Poor Road Maintenance

The economic costs of poor road maintenance are borne primarily by road users. When a road is allowed to deteriorate from good to poor condition, each dollar saved on road maintenance increases VOCs by between \$2 and \$3. Far from saving money, cutting back on road maintenance increases the cost of road transport and raises the net cost to the economy as a whole.

Source: *General Review: Heggie, Ian G. and P. Vickers. 1998. Commercial Management and Financing of Roads. Technical Paper 409, World Bank, Washington, DC.*

### Transportation Committee Capital Budget



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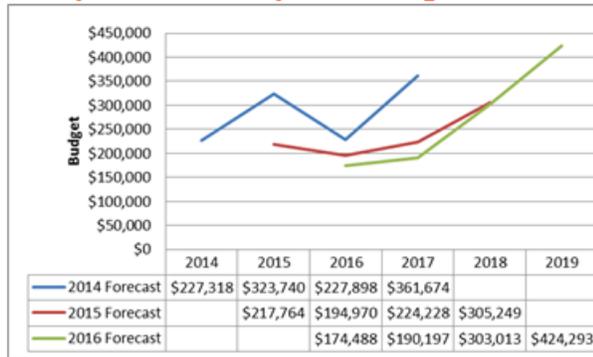
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Despite this need for infrastructure renewal investment for roads, the City is proposing to spend even less on transportation capital in 2016 than it did in 2014 and 2015.

When comparing capital expenditures on roads, it is also important to note that a dollar spent today gets you a lot less than what a dollar got you in the past. Today, your road capital dollars also have to pay for species at risk, permits to take and discharge water, accessibility issues, inflation, etc.

And while the 2016 draft budget may be forecasting increased Transportation Capital spending in future years, we are somewhat skeptical.

### 2014 vs 2015 vs 2016 Transportation Capital Budget



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The City of Ottawa has failed to meet it's "next year" forecast for Transportation Capital Investment for the past two years.

In the 2014 budget, the City forecasted that it would invest \$324 M in 2015. In reality it invested \$9 M less than the year before and actually \$106 M less than it forecasted to spend in 2015.

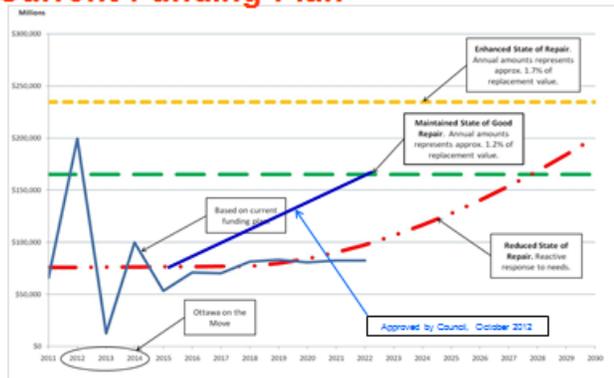
In the 2015 budget, the City forecasted that it would invest \$195 M in 2016. In reality, for 2016, it now proposes to invest \$21 M less than it forecasted to spend in 2015.

In 2016 draft budget, the City proposes to spend \$53 M less on the Transportation Capital budget than it actually invested in 2014.

If you compare the 2014 forecast to this year's forecast, in 2017 the City will invest \$172 M less on Roads than originally proposed.

Given the poor condition of Ottawa Roads, this spending trend is not sustainable.

### Funding Requirements vs. Current Funding Plan



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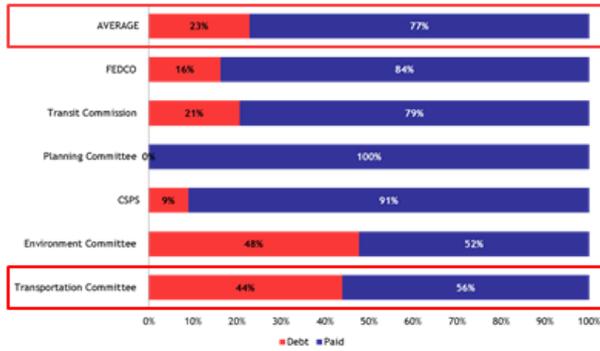
This spending pattern would appear to be at odds with your Long Range Financial Plan 4 that was adopted in the last term of Council.

This plan identifies a need to increase the tax supported funding for renewal of City assets to a level of \$165 million per year to maintain a state of good repair versus the average historical expenditure on the renewal of roads, bridges, buildings and parks of only approximately \$80 million per year.

At least with respect to roads, this spending gap appears to be widening instead of closing.

As was noted in Robert Frost's famous poem, it would appear that you are choosing the wrong road.

## Source of Capital Funding



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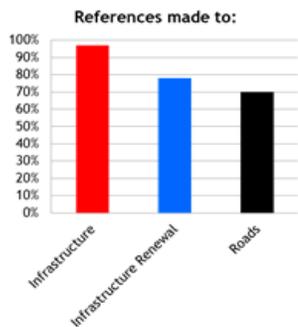
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What some may find even more alarming is the fact that tax supported funding for Transportation is less than the source of funding for overall city of Ottawa Capital Projects.

While on average 23% of Capital Funding is supported by debt, 44% of Transportation Committee Capital Projects are funded by debt.

## Councillor Survey

(Ottawa Citizen, November 11, 2015)



- Funding for road renewal and continuing our commitment to increase our contribution to capital. I think we need to focus on needs rather than wants. (Scott Moffatt)
- Adequate investment in renewing our older assets people rely on for services - pipes, roads, parks and playgrounds. (Mark Taylor)
- We have many roads that are in dire need and are crumbling away. (George Darouze)
- Taxpayers require sustainable investments in roads and transit in order to travel to and from work. (Stephen Blais)
- Every dollar we evade spending on these things can create a bill of 10-50 times that amount in avoidable future costs when, instead, we have to reconstruct the asset. (Rick Chiarelli)
- My biggest concern is the city's infrastructure and conditions of our roads. (Eli El-Chantiry)

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The good news is, is that as a Council, you appear to be getting it.

Matthew Pearson of the Ottawa Citizen reported on November 11, 2015, the results of a survey about the upcoming budget.

96% of you noted infrastructure or roads in your responses

78% of you noted infrastructure renewal as a priority  
70% specifically commented on the condition of roads.

Here is what a few of you had to say:

## In Conclusion

1. Maintaining a 2% tax increase is arguably the right road to take.
2. But Council has reached a fork in the road when it comes to transportation infrastructure.
3. The City must take "the road less traveled" in order to make a difference.
  - a. Reallocate funding from across all budget.
  - b. Increase debt to pay for these much needed repairs before they cost even more in the future.
4. Send a message to provincial and federal partners.



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While maintaining a 2% tax increase is arguably the right road to take in terms of providing reliable and affordable City services.

It would appear that Council has reached a fork in the road when it comes to the condition of Ottawa roads.

Evidence is mounting that the City must take "the road less traveled" in order to make a difference. This new road could include reallocating funding from across all budget envelopes to help pay for needed infrastructure renewal.

The City could also choose to increase debt to pay for these repairs before they cost even more in the future. This would be consistent with what the City is already doing.

Investing more this year would also send a strong message to your provincial and federal partners that the City is prepared to step up to the plate on infrastructure project funding.

Thank you for the opportunity to address the committee. I would be pleased to answer any questions you might have.