

CATCH Articles:

Massive underspending on infrastructure confirmed

Jun 03, 2010

A new study has confirmed that the city needs to spend at least \$120 million more each and every year to fix roads and other infrastructure. The report has some politicians pushing for more federal and provincial government grants, but at least one councillor is suggesting it's time to stop building things we can't afford to repair.

The city's first provincially-required [Tangible Capital Assets Report](#) was presented to yesterday's audit and administration committee. It records under-spending in Hamilton of \$120.3 million last year on items such as roads, bridges, underground pipes, and water and sewer pipes and facilities.

"Based on the estimated replacement cost [of city infrastructure] of \$15.8 billion, an annual sustainable spending level to ensure that our assets are replaced and redeveloped in a timely manner would be approximately \$333 million," says the [staff report](#) accompanying the study. "Capital spending on asset replacement and redevelopments in 2009 amounted to \$213.1 million, which resulted in a gap of \$120 million."

Similar shortfalls have [gone on for years](#), and raising this amount from property taxes would require about a 25 percent increase in current rates or more. Last year's deficit was actually lower than normal because the city [received](#) substantial stimulus funding from senior levels of government.

The biggest deficit (\$91 million) in 2009 [was](#) in road spending, with water and wastewater facilities short \$24.9 million and a deficit of \$24.8 million for "underground and other networks". The purchase of more than the average number of new buses last year meant that category had spending \$15.6 million above the annual target.

Chad Collins and Terry Whitehead encouraged city staff to seek more funding from senior levels of government, with Collins proposing that road monies be the only requests made for any future infrastructure dollars. Council put road projects at the top of a long list submitted for stimulus funding, but the items [actually supported](#) were mainly for water projects and recreational facilities.

"When the programs come out at the provincial and federal level, does it make sense for us not to put anything else on the list, except for roads projects," Collins suggested. "Maybe it's a lesson learned for us, in light of what happened last time. I understand that we were trying to capture as much money as possible, but at the end of the day, making that list larger than maybe it should have been has probably cost us something as it relates to the infrastructure deficit related to roads and other projects like sidewalks and sort of water issues."

Bob Bratina responded with a quite different approach.

"This looks to me like somebody's got four clunker cars they can't afford to fix, so he goes out and buys another car," the ward two councillor observed. "And the comment that I hear at the table today is

well the province didn't give us enough money to fix these roads. I'm not very good at this accounting stuff, but this seems fairly simple to me. We keep building infrastructure we can't afford to fix."

City finance chief Rob Rossini responded that the report showed "how much stuff we actually own" and suggested that reduction is one of the objectives of the province in requiring the reports.

"Part of the rationale for the province doing this is for municipalities to look at their assets as to which ones do we still need, which ones can we surplus and rationalize on a going forward basis," Rossini noted. "So I think that's part of the underlying thing that the province wants us to do."

Bratina pointed to the recent decision of well-known investor Warren Buffet who "just bought a railway" because he's calculating its value will climb over the long haul.

"He said that the US highway system infrastructure is so broken down they can't possibly fix it all to the level of sustaining the need for transportation. So he picked railroads. We're not alone in this."

Collins countered with a brief history of federal and provincial government [cuts to transfers](#) to municipalities over the last 15 years.

"While it's all well and good that the books look a little better at the other levels of government, it's come at the expense of municipalities, and all municipalities over the last decade have lobbied both levels of government for additional infrastructure funds to try and get back some of those historic traditional transfer payments that we were accustomed to utilizing over several decades," he stated, urging staff to make more lobbying for increased payments a top priority.

Whitehead closed out the discussion by recounting Prime Minister Harper's speech last weekend to the meeting of the Federation of Canadian Municipalities where the federal leader [warned](#) the focus of his government is on deficit reduction, not more stimulus funding. He said the city should expect to continue to get federal gas tax monies, but not additional funds.

That grant totals nearly \$32 million a year – two-thirds of which was [allocated](#) to roads with the remainder helping pay for city hall renovations.

Councillors were [told](#) in January that the city is adding an average of 50-70 kilometre lanes of roadway each year and that annual maintenance costs for each kilometre lane are roughly \$10,000. That [report](#) estimated that the infrastructure spending deficit is about \$150 million a year.