

Clause No. 11 in Report No. 12 of the Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 26, 2014.

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MUNICIPAL FUNDING AGREEMENT FOR THE TRANSFER OF FEDERAL GAS TAX REVENUES

Committee of the Whole recommends adoption of the recommendation contained in the following report dated June 5, 2014 from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize the Regional Chair and the Commissioner of Finance and Regional Treasurer to execute the Municipal Funding Agreement for the transfer of federal gas tax revenues.
2. The Regional Solicitor prepare a bylaw authorizing the execution of the Municipal Funding Agreement.

2. PURPOSE

The purpose of this report is to seek Regional Council authorization to execute the Municipal Funding Agreement with the Association of Municipalities of Ontario (AMO) concerning the transfer of federal gas tax revenues to the Region.

3. BACKGROUND

The Federal Gas Tax Fund, formerly New Deal for Cities and Communities, was introduced in 2005 as a five-year program.

At the time, the Federal government had committed approximately \$1.9 billion in infrastructure funding to municipalities in Ontario. In 2008, the Federal government announced an extension to the funding for an additional four years (2010-2014), while committing to making the Federal Gas Tax Fund permanent beyond 2014. The funding is now enshrined in federal legislation for the next ten years.

AMO administers the program across the Province and payments are received twice a year. According to AMO, municipalities in Ontario would have received between 2010 and 2014 approximately \$746 million per year from the Federal Gas Tax Fund.

From 2005 to 2013, the Region received \$168.9 million in transfers from the Federal Gas Tax Fund, as shown in Table 1.

Table 1
Region's share of Federal Gas Tax Fund

Year	Amount received \$(millions)
2005	7.1
2006	3.6
2007	13.0
2008	11.8
2009	23.7
2010	27.4
2011	27.4
2012	27.4
2013	27.5
Total	168.9

Under the renewed Federal Gas Tax Fund, allocations to provinces and territories over the first five years of the New Building Canada Plan (2014-2019) are based on Census 2011 data. Ontario's share is approximately \$3.9 billion.

4. ANALYSIS AND OPTIONS

The Region expects to receive approximately \$155.2 million over the next five years

Table 2 shows the schedule of payments as identified in the Municipal Funding Agreement. AMO has factored in partial indexation in 2016 and 2018 given that the Federal government has committed to increase the gas tax fund by two per cent annually with the actual increases in transfers taking place in increments of \$100 million.

Table 2
 Schedule of Fund Payments

Year	\$(millions)		Total
	July 15th	Nov. 15th	
2014	14.9	14.9	29.8
2015	14.9	14.9	29.8
2016	15.7	15.7	31.4
2017	15.7	15.7	31.4
2018	16.4	16.4	32.8
Total	77.6	77.6	155.2

Source: AMO– April 2014

The Federal government has made the Gas Tax Fund more flexible

Table 3 summarizes the changes to the new Municipal Funding Agreement in comparison to the old agreement.

Table 3
 Changes to the new Municipal Funding Agreement versus the old agreement

	Old Municipal Funding Agreement	New Municipal Funding Agreement
Eligible Categories	7 categories: Public transit, wastewater infrastructure, drinking water, solid waste management, community energy systems, local roads and bridges, capacity building	11 additional categories: Highways, local and regional airports, short-line rail, short-sea shipping, disaster mitigation, broadband and connectivity, brownfield redevelopment, culture, tourism, sport, recreation.
Allocation	2006 Census	2011 Census
Banking limit	3 years	Municipalities now have up to five years after the money is received to spend the funds on an eligible municipal infrastructure project.
Eligible Costs		<ul style="list-style-type: none"> • Cost of leasing equipment is now an “own source” expense and will need prior approval. • Municipal administration costs, such as staff time to file annual reporting, are no longer eligible.
Gas Tax contact	Any designated member of staff in a municipality	Must be the Treasurer

Audit	Audit or Treasurer’s Certificate required on an annual basis	No municipal audit or Treasurer’s certificate required. However a risk assessment survey is required in 2014 to determine the policies and procedures to ensure compliance. This will help AMO in guiding its random audits.
Communications	<ul style="list-style-type: none"> • Construction Signage • Permanent Signage • Events and News Releases 	<ul style="list-style-type: none"> • Construction Signage • Events and News Releases • Advanced project notification

Source: AMO’s Guide to the Municipal Funding Agreement for the transfer of Federal Gas Tax Funds – April 2014

To meet the incrementality test, the Region will have to demonstrate that its investments exceeds its own base amount

AMO will demonstrate incrementality on an aggregate basis for all municipalities in Ontario using the Financial Information Returns. AMO will calculate the base amount for the January 1, 2000 to December 31, 2004 period, and ensure that the base amount is maintained over the life of the new Municipal Funding Agreement (2014 – 2023).

York Region will have to ensure that infrastructure investments from 2014-2023 are greater, on average, than in 2000-2004 (inclusive). The average annual infrastructure investment as reported on the Financial Information Returns from 2000 to 2004 was \$256 million. The average annual infrastructure investment from 2014 to 2023 is expected to be \$663 million, which means York Region will pass the incrementality test.

The Region’s reporting will have to show progress and outcomes of asset management planning

Under the new Municipal Funding Agreement, the Region is obligated to develop an asset management plan prior to December 31, 2016. On a date and in a manner to be determined by AMO, the Region will provide a report to AMO demonstrating that asset management plans are being used to guide infrastructure planning and investment decisions and how funds are being used to address priority projects.

Link to Key Council–approved Plans

The Federal Gas Tax program supports the “Liveable Cities and Complete Communities” theme areas in *Vision 2051*. The program also supports the “Continue to Deliver and Sustain Critical Infrastructure” priority area within the *2011 to 2015 Strategic Plan*.

5. FINANCIAL IMPLICATIONS

The Region will receive \$29.8 million for 2014, and a further \$125.4 million up to November 2018 (for a total of \$155.2 million), upon execution of the Municipal Funding Agreement and related schedules.

AMO will make two payments to the Region annually, on or before July 15th and November 15th each year, up to and including November 15th, 2018.

6. LOCAL MUNICIPAL IMPACT

Local municipalities in York Region will also receive Federal Gas Tax Fund and must follow a similar process. Local municipalities will also be able to apply these revenues to eligible costs on their respective projects.

7. CONCLUSION

The report recommends Council authorization to execute the Municipal Funding Agreement with AMO. The agreement will permit the flow of approximately \$155.2 million of federal gas tax revenues to the Region, during the period 2014 to 2018.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext. 71644.

The Senior Management Group has reviewed this report.