

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 24, 2014

Item 3, Report No. 8, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 24, 2014.

3 NEW MUNICIPAL FUNDING AGREEMENT FOR TRANSFER OF FEDERAL GAS TAX FUND

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance and City Treasurer, dated June 16, 2014:

Recommendation

The Commissioner of Finance and City Treasurer, in consultation with the Senior Manager of Corporate Financial Planning & Analysis and the Grant Specialist recommends:

1. That Council enter into the new Municipal Funding Agreement – For the Transfer of Federal Gas Tax Funds between the Association of Ontario (AMO) and the City of Vaughan; and
2. That a by-law be enacted to authorize the Mayor and the City Clerk to execute the related documents and agreement.

Contribution to Sustainability

The continued livability and economic sustainability of a city is contingent on its ability to develop and maintain its community infrastructure systems. However, increasing costs present a difficult fiscal challenge to municipal leaders burdened with limited resources and funding opportunities. The Gas Tax Fund program provides predictable additional long-term funding for Canadian municipalities, helping to build and revitalize local public infrastructure systems while creating jobs and long term prosperity. Executing the new agreement is required to ensure that Vaughan remains eligible to participate in the program and continues to receive Gas Tax funding.

Economic Impact

The Gas Tax Fund (GTF) is a federal program designed to provide municipalities with flexible and permanent infrastructure funding calculated on a per capita basis using census data. Between 2005 – 2013 the City of Vaughan has received \$44,095,815 in Gas Tax funding, supporting over a hundred capital projects (i.e. Roads Pavement Management Programs, Fire Station 7-10, City Hall, etc.). The previous agreement expired on March 31st of 2014; however, the Federal Budget provided for continued funding to 2024 and program revisions to better meet the municipal needs. Continued participation in the GTF program requires that the City execute the new Municipal Agreement and enact the associated by-law. This action will secure approximately \$43,000,000 in Gas Tax funding over the next five (5) years.

Communications Plan

The signed Municipal Funding Agreement and by-law authorizing the City to enter into the Municipal Funding Agreement will be forwarded to the Association of Municipalities of Ontario (AMO).

Purpose

To seek Council approval to execute the new Gas Tax Fund Municipal Agreement and enact a By-Law as required by the program.

Background – Analysis and Options

The Federal Gas Tax Fund (GTF) was initiated in 2006 as a short term municipal infrastructure funding program. The success of the program, coupled with continued municipal need for

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monetary support, prompted the Federal Government to convert the GTF to a permanent program administered through renewable funding agreements. The previous 2010 agreement expired on March 31, 2014 and a new agreement has been issued.

In Ontario the program is administered by the Association of Municipalities of Ontario (AMO) and as such, the agreement is between the City of Vaughan and AMO. To ensure the City's continued eligibility to receive Gas Tax funding, Municipalities are required to sign two copies of the new agreement, approve an Enacting By-Law and return all documents to AMO.

The 2014 Federal budget extends funding for the Gas Tax Fund to 2024 and institutes changes to better meet the needs of municipalities. The changes are highlighted below:

- Indexing of the fund by an estimated 2% per annum as announced in Economic Action Plan 2013, intended to protect the value of the continued investment in municipalities, commencing in 2016.
- Increasing the number of eligible project categories. Attachment 2 of the report provides a complete listing of all eligible project categories. Categories 8-17 are new, including sport infrastructure, recreation infrastructure, cultural infrastructure, tourism infrastructure, disaster mitigation, etc.
- Extending the banking of unspent funds limit from 3 to 5 years. This provides municipalities with the opportunity to earn interest and grow investments so that there is more money to allocate to infrastructure projects in the future.
- Developing the One Investment Program, a co-investment program jointly operated by LAS and CHUMS allowing participating municipalities the choice to earn interest on annual allotments they voluntarily invest in the program. To participate the total installment payment will need to be directed to this investment program.
- Requiring the development and implementation of an Asset Management Plan prior to December 31, 2016. Municipalities will be required to provide a report to AMO demonstrating that Asset Management Plans are being used to guide infrastructure planning and investment decisions (date and manner of submission to be determined and communicated by AMO at a later date). This tie well with the City's Asset Management strategic initiative.
- AMO's managing the program from a Risk Based approach to reduce program administration costs results in municipalities seeing the below changes:
 - One-time completion of a risk assessment survey during the 2014 reporting year; this will help AMO determine the policies and procedures in place within a municipality to ensure compliance
 - Gas Tax contact will default to the Treasurer, no exceptions
 - Random audits of Municipalities by AMO; approximately 10% of municipalities each year
 - Changing the annual reporting requirements: Schedule Cs are no longer required when investing in local roads and bridges; Annual audits and Treasurer's Certificates are no longer required. These changes will reduce staff time and direct costs associated with administering the program.

The transfer of Gas Tax Funds will be made on a 50:50 basis to the Regional Municipality of York and the City of Vaughan. The City's allotment under the previous agreement provided

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approximately \$7.3 million dollars annually to the City from 2010 to 2013. Payments are received in two equal payments a year, typically in July and November. To receive payment, municipalities must be in compliance with the Agreement. Pursuant to Schedule A of the new agreement Vaughan's annual allotment is projected to increase as follows:

GAS TAX ALLOCATIONS FOR 2014 TO 2018			
YEAR	PAYMENT 1	PAYMENT 2	TOTAL
2014	4,173,937.38	4,173,937.38	8,347,874.76
2015	4,173,937.38	4,173,937.38	8,347,874.76
2016	4,382,634.24	4,382,634.24	8,765,268.48
2017	4,382,634.24	4,382,634.24	8,765,268.48
2018	4,591,331.11	4,591,331.11	9,182,662.22
TOTAL	21,704,474.35	21,704,474.35	43,408,948.70

As indicated in the chart, Vaughan's total amount of Gas Tax Revenue to 2018 is projected to be approximately \$43 million dollars. AMO as Agreement Administer will receive up to 0.5% of the total funds to implement the Agreement and to undertake related capacity building and program delivery (i.e. public project announcements and signage). Recently the City has received notification from AMO that as a result of an efficient and innovative service delivery model, they have a savings in costs and are distributing these unused administrative funds back to municipalities to invest in infrastructure. Vaughan is to receive \$195,758 at the end of June; these funds will be placed in the Gas Tax Reserve to be allocated to capital projects in the upcoming financial plan.

Relationship to Vaughan Vision 20/20 / Strategic Plan

This report is consistent with Vaughan Vision 20/20 Strategic Goal for ensuring financial stability through the execution of the Gas Tax Agreement, providing a predictable additional long-term funding source to assist in the build and revitalization of local public infrastructure systems while creating jobs and long term prosperity. The requirement for an Asset Management Plan aligns with the City's strategic plan to "develop and implement a corporate-wide asset management system.

Conclusion

The Federal Gas Tax Fund is the only permanent and flexible source of grant funding available to municipalities to support new infrastructure initiatives and renewal of existing assets. Expiration of the former 2010 contract requires that the City execute a new agreement and approve an enacting By-Law to ensure continued receipt of Gas Tax funding. The total amount of new funding will be approximately \$43,000,000 by 2018 and continue to grow to 2024 through indexing and population growth. The City will use the funds for projects which meet the requirements of seventeen eligible categories (Attachment 2) assisting the City with the implementation of additional infrastructure initiatives supporting economic viability, sustainable growth, and reliable community infrastructure networks.

Attachments

1. Changes to the Municipal Funding Agreement (MFA)
2. Schedule B: Eligible Project Categories
3. Schedule C: Eligible and Ineligible Expenditures
4. Schedule D: Reporting

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)