



memorandum

DATE: May 7th, 2018

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: LAURA MIRABELLA, CHIEF FINANCIAL OFFICER AND CITY TREASURER

RE: Communication - Update on City's Federal Gas Tax Program
(Related to: Finance, Administration and Audit Committee, Fiscal Health Report – Year Ending December 31, 2017)

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COMMUNICATION
FAA - May 7/2018
ITEM - 4

Recommendation

1. That Council approve following budget amendments:
 - a. That the capital budgets for AM-2528-17, AM-2529-17, EN-1851-14, EN-1843-11, EN-1696-08 be amended whereas funding sources for remaining unspent project budget as of December 31, 2017 be revised to the City's Federal Gas Tax Fund Reserve;
 - b. That the capital budget for CD-2015-15 be amended by replacing funding source of the Debenture Financing with the City's Federal Gas Tax Fund Reserve in the amount of \$4,118,368.75.

Purpose

To provide Council with a status update on the Federal Gas Tax Program and to seek Council Approval on the proposed budget amendments to maximize the utilization of the City's Gas Tax Fund.

Background

The City is expecting to receive approximately \$9 million from the federal Gas Tax Fund in 2018.

The federal Gas Tax Fund (the "GTF") was first introduced in the 2005 Federal Budget to assist municipalities with the large burden imposed on Canadian municipalities to maintain public infrastructure. In 2008 the federal government announced that the GTF would be made permanent to ensure stable, long-term funding to municipalities.

In Ontario, the GTF is administered by the Association of Municipalities of Ontario (AMO). AMO receives GTF funding representing the per capita amount for Ontario Municipalities (excluding Toronto). Municipal allocation is based on per capita basis and allocations are made on a 50:50 basis for upper and lower tier municipalities.

The following is a summary of the City of Vaughan's allocation for 2014-2018.

2014	2015	2016	2017	2018
\$8.3M	\$8.3M	\$8.8M	\$8.8M	\$9.2M

Analysis and Options

The City has received approximately \$78 million in the Gas Tax Fund since 2005, of which over \$54 million has been spent.

As of December 31, 2017, the City has received approximately \$78 million in GTF since 2005. The following is a summary of the GTF expended during the period from 2005 through 2017. It should be noted that the categories largely reflect repair and replacement programs and not growth driven projects.

Table 1

Project Category	2017 Expenditure (\$millions)	Accumulated Expenditures since 2005 (\$millions)
Local Roads and Bridges	7.1	35.4
Community Energy Systems	0.2	9.2
Water/Wastewater	0.1	2.7
Public Transit	0.0	4.8
Capacity Building	0.1	0.5
Solid Waste	0.0	1.4
Disaster Mitigation	0.1	0.1
Sports & Recreation	0.1	0.1
Total Expenditures	\$7.7	\$54.2

There was approximately \$6 million excess fund uncommitted in the Gas Tax Fund as of December 31, 2017.

Reviewing and monitoring of GTF projects' funding and spending is ongoing. Staff continue to work with AMO to improve and enhance the City's GTF program. Following table illustrates the financial summary of the City's GTF program.

Table 2

<u>Financial Summary</u>	<u>Amount (\$millions)</u>
GTF Received Since 2005	\$78
Less: Accumulated Expenditures	\$54
Add: Investment Income	\$2
Unspent GTF	\$27
Less: Commitment in Capital Budget	\$21
Remaining Uncommitted Fund	\$6

Funds received in recent years have been allocated to its maximum allowed amount based on a review and prioritization of eligible projects and eligible costs. The remaining uncommitted fund represents an excess fund of approximately \$6 million; it is mainly because of savings realized as a result of projects' actual expenditures being less than the projects' budget or due to grant award received from CWWF.

Staff propose funding reallocation for six capital projects in the amount of close to \$6 million to maximize the use of the GTF and hence to minimize Property Tax impacts.

Staff reviewed existing open active capital projects' cash flow and scope, and identified following projects' expense can potentially be funded from the GTF.

Table 3

Project	Scope	Current Funding Source	Amount
AM-2528-17	GIS Upgrade and Improvements	Capital from Taxation	\$309,000.00
AM-2529-17	Master Data Management for AMP	Capital from Taxation	\$309,000.00
EN-1851-14	Traffic Data Collection Inventory	Capital from Taxation	\$329,600.00
EN-1843-11	Traffic Signal Improvements	Capital from Taxation	\$309,330.74
EN-1696-08	Applewood Flyover – 407/ETR long term maintenance	Capital from Taxation	\$515,000.00
CD-2015-15	2016 Road Rehabilitation	Debenture Financing	\$4,118,368.75
Total			\$5,890,299.49

Majority projects listed in Table 3 are forecasted to be spent in 2018. This is necessary as the City must be in compliance with gas tax guideline that the federal gas tax funds shall be spent within five years after fund receipt.

The release of approximately \$4 million funding commitment from Debenture Financing not only will help relief the City's near future borrowing needs, it will further save the City's taxation money as it will help reduce the City's debt servicing costs by deferring borrowing to future years

The release of close to \$2 million funding commitment from Capital from Taxation Reserve will free much needed fund from this reserve; it may potentially provide an opportunity to help address funding shortfall anticipated in some of the City's strategic and visionary capital plans. Staff will review business cases of various projects and prioritize project to ensure alignment with Term of Council strategic objectives. A detailed fund utilization proposal will be presented to future Finance, Administration and Audit Committee or through the 2019 budget process.

Conclusion

The proposed amendments to the capital projects outlined in the communication help position the City to better manage funding pressures and continue its pursuit of service excellence, while delivering the needed services and infrastructure to Vaughan citizens.

Respectively submitted,



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