

THE REGIONAL MUNICIPALITY OF YORK

**REPORT NO. 10
OF THE REGIONAL COMMISSIONER OF FINANCE**

**For Consideration by
The Council of The Regional Municipality of York
on November 17, 2005**

**1
MUNICIPAL FUNDING AGREEMENT FOR THE TRANSFER OF FEDERAL GAS
TAX REVENUES**

1. RECOMMENDATIONS

1. It is recommended that Council authorize the Chair and Clerk to execute the Municipal Funding Agreement for the Transfer of Federal Gas Tax Revenues.
2. That the necessary by-law be prepared by Legal Services.

2. PURPOSE

The purpose of this report is to put in place the necessary agreement with the Association of Municipalities of Ontario (AMO) to receive the Federal Gas Tax Revenues under the New Deal for Cities and Communities.

3. BACKGROUND

As part of the New Deal for Cities and Communities, the Government of Canada is investing \$1.87 billion in gas tax funding over five years to be flowed to municipalities and administered by the AMO.

4. ANALYSIS AND OPTIONS

York Region is estimated to receive \$7.1 million in 2006 and \$52.1 million over the next four years. In order to receive the funds, the Region must enter into a Municipal Funding Agreement (MFA) with AMO.

The Federal Gas Tax Revenues may be used for costs incurred after April 1, 2005 for the following eligible infrastructure projects:

- Public transit
- Water
- Wastewater
- Solid waste
- Local roads, bridges and tunnels
- Capacity building and community energy systems.

York Region, with a population over 500,000, is limited to two categories and cannot invest in local roads and bridges.

Municipalities must clearly demonstrate that the funding has enabled a project's implementation, enhanced its scope, or accelerated its timing.

Canada and Ontario have agreed not to reduce other infrastructure funding sources, and municipalities must agree not to displace current capital investment or use the revenue to reduce municipal taxes. In order to demonstrate this incrementally, municipalities with a population over 100,000 will be required to calculate base spending in the eligible project categories for the previous five years, January 1, 2000 to December 31, 2004, and must ensure that this base amount is maintained from April 1, 2005 through March 31, 2010.

The permitted costs will include:

- the capital cost of acquiring, constructing, renovating or rehabilitating a tangible capital asset, including debt financing charges
- surveying, design, engineering fees related to the infrastructure
- environmental assessments, monitoring, and follow-up programs required by the Canadian Environmental Assessment Act and the Environmental Assessment Act (Ontario)
- costs related to strengthening the ability of municipalities to enhance or develop integrated Community Sustainability Plans
- where a municipality has earned interest on the funds, the interest may be used to pay for the administration costs related to the administration of the Municipal Funding Agreement.

Municipalities are annually required to submit to AMO an expenditure report and audit statement accounting for the receipt and expenditure of the funds.

There will be a requirement for municipalities to complete an Interim Outcomes Report by June 30, 2008. This Outcomes Report will demonstrate progress towards clean air, clean water and reduced GHG emissions achieved through the investments.

5. FINANCIAL IMPLICATIONS

The Region will receive \$7.1 million for 2005 as soon as there is a fully executed Municipal Funding Agreement, including related schedules.

In subsequent years, two payments will be received annually, on or before July 15th and November 15th each year, up to and including November 15th, 2009.

The 2005 funds to be received in November and the 2006 revenues have been recommended for application to new debt charges and new capital costs for Transit projects.

6. LOCAL MUNICIPAL IMPACT

Local municipalities in York will also receive Federal Government Tax Revenues and must follow this similar process. Local municipalities will also be able to apply these revenues to eligible roads projects.

7. CONCLUSION

The execution of the Municipal Funding Agreement with AMO will permit the flow of Federal Gas Tax Revenues to York Region in the amount of approximately \$59.2 million from 2005 to 2009.

Respectfully submitted,

**November 14, 2005
Newmarket, Ontario**

**S. Cartwright
Commissioner of Finance**

(Report No. 10 of the Commissioner of Finance was adopted, without amendment, by Regional Council at its meeting held on November 17, 2005.)