5
REGIONAL GAS TAX REVENUES

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 24, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. This report identifying the various forms of gas tax revenues be referred to the 2006 budgets.
2. That the Federal government and AMO be requested to apply revised census figures for a more equitable distribution of the Federal gas tax revenues.

2. PURPOSE

The purpose of this report is to provide Committee with a summary of the various forms of gas tax revenues available to the Region from the Federal and Provincial governments.

3. BACKGROUND

In June, 2005 two Federal Gas Tax agreements were signed with Canada, Ontario, the City of Toronto and AMO committing $2.2 billion in municipal infrastructure funding for Ontario municipalities over the next five years [2005-06 through 2009-10].

In November, 2004 an agreement was signed between the Ministry of Transportation and the Region of York under the Dedicated Gas Tax Funds for Public Transportation Program. This program is expected to contribute over $600 million into public transit in communities across Ontario.

4. ANALYSIS AND OPTIONS

AMO is administering the funding on behalf of the federal government for all municipalities except Toronto. A standard municipal funding agreement to be signed by each municipality in order to receive funding over the next five years is being finalized.

The following table illustrates the revenues expected from the Provincial gas tax revenues from 2004 – 2009.

Table 1
Regional Gas Tax Revenues - Provincial

Source	2004	2005	2004-05 Total	2006	2007	2008	2009	Total
Provincial Gas Tax	$1.4M	$6.3M	$7.7M	$9.1M	$11.3M	$11.3M	tbd	**$39.4M**

The Provincial revenues are outlined in an agreement and are subject to conditions. Primarily these revenues must be used for transit systems to improve transit ridership, with continuing receipt being conditional on compliance with the terms of the agreement.

The Federal revenues are based on figures released by AMO in June, 2005. Area municipalities are also sharing an equal amount of federal gas tax revenues of $59.2M.

Table 2
Regional Gas Tax Revenues - Federal

Source	2004	2005	2004-05 Total	2006	2007	2008	2009	Total
Federal Gas Tax		$7.1M	$7.1M	$7.1M	$9.5M	$11.8M	$23.7M	**$59.2M**
Martin/Layton Transit Deal		$2.5M	$2.5M	$2.5M	n/a	n/a	n/a	**$5.0M**
Total			**$9.6M**	**$9.6M**	**$9.5M**	**$11.8M**	**$23.7M**	**$64.2M**

Table 3

Area	Population (2001)	Year 1 (2005/06)	Year 2 (2006/07)	Year 3 (2007/08)	Year 4 (2008/09)	Year 5 (2009/10)	5-Year Total
York Region	**728,981**	**$7.1M**	**$7.1M**	**$9.475M**	**$11.8M**	**$23.68M**	**$59.2M**
Vaughan	182,022	$1.77M	$1.77M	$2.365M	$2.95M	$5.9M	$14.78M
Aurora	40,167	$0.391M	$0.39M	$0.5M	$0.65M	$1.3M	$3.2M
Markham	208,615	$2.0M	$2.0M	$2.7M	$3.38M	$6.77M	$16.9M
Newmarket	65,788	$0.64M	$0.64M	$0.85M	$1.0M	$2.1M	$5.3M
Richmond Hill	132,030	$1.28M	$1.28M	$1.7M	$2.1M	$4.2M	$10.7M
Whitchurch-Stouffville	22,008	$0.21M	$0.21M	$0.28M	$0.35M	$0.7M	$1.78M
East Gwillimbury	20,555	$0.2M	$0.2M	$0.26M	$0.33M	$0.6M	$1.66M
Georgina	39,263	$0.38M	$0.38M	$0.5M	$0.63M	$1.27M	$3.1M
King	18,533	$0.18M	$0.18M	$0.24M	$0.3M	$0.6M	$1.5M

Federal Funds Flowing to York Region and Area Municipalities

Once again conditions are attached to these revenues which include spending in the categories of public transit, waster, wastewater, solid waste or community energy systems. York Region is eligible to allocate funds in any two of these categories. It is expected that these funds will be applied in addition to existing municipal investments in these areas. As conditions apply to these revenues, annual reporting on compliance will be a requirement. Cash flow of these revenues are expected to be made in November, 2005 and then in July and November in subsequent years.

It should be noted that the allocation of the Federal Gas Tax revenues is based on 2001 National Census data from StatsCan. For high-growth municipalities such as York Region, this creates an unfair distribution formula and results in a disproportionate allocation of revenues. Since 2001, York Region has grown in population by 23% and is tracking toward a 41% increase in population by 2010.

Ideally, the census data being used as a basis for this allocation should be revised to ensure a more equitable base, recognize population changes in high-growth municipalities and therefore make the annual allocations on a more fair and reasonable level. Consideration could be given to a mid-agreement adjustment being made upon the release of the 2006 census data to reflect more current population numbers, thereby resulting in a more equitable allocation of the gas tax revenues to high-growth municipalities, such as York Region.

Finally, an additional source of gas tax funds is expected from the Martin/Layton Transit Deal which represents funding in 2005 and 2006 only. As we await further details relating to this program, these revenues are to be applied to transit systems.

5. FINANCIAL IMPLICATIONS

These gas tax revenues are a welcome source of new revenues, however, caution must be exercised in applying them to their conditional uses to ensure continued receipt. As these funds may be allocated at the discretion of municipal councils, consideration to their annual allocation to capital and/or operating budgets will be a policy decision impacting the respective budgets. As these gas tax revenues are expected to be a sustainable revenue source for future budgets, careful consideration should be given to their allocation toward capital investment or annual operating expenses.

The 2006 budget will present the first opportunity for such a policy to be applied. The 2005 revenues received are proposed to be applied to capital transit projects approved in the 2005 capital budget to reduce the amount of debt required to finance these projects.

6. LOCAL MUNICIPAL IMPACT

These revenues are York Region's share of allocations and will reduce net costs to be levied to area municipalities for the respective programs as part of the annual budget. In addition, local municipalities will also share an equal amount [$59.2M] of the total federal gas tax revenues noted for York Region.

7. CONCLUSION

The announcement of sharing gas tax revenues by both the Federal and Provincial governments provides a much needed infusion of funds to York Region for allocation to the capital and/or operating budgets. This revenue source, expected to be sustainable revenue, will assist in addressing budget pressures, defraying costs and reducing the burden on the tax levy in support of planned annual operating and/or capital programs.

The Senior Management Group has reviewed this report.