

NO:

COUNCIL DATE:

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 25, 2013**

FROM: **General Manager, Finance & Technology
General Manager, Engineering**

FILE: **0430-01**

SUBJECT: **Renewal of Gas Tax Agreement – UBCM Member Survey**

RECOMMENDATION

The Finance and Technology Department and the Engineering Department recommend that Council:

- 1) Receive this report as information; and
- 2) Authorize the City Clerk to forward to the Union of British Columbia Municipalities as the City of Surrey's response to the member survey entitled "Renewed Gas Tax Fund" a copy of this report along with the completed copy of the related survey form that is attached to this report as Appendix "C" and a copy of Council's resolution related to this report.

INTENT

The Union of British Columbia Municipalities (UBCM) has forwarded a survey entitled "Renewed Gas Tax Fund" to member municipalities to complete on or before August 31, 2013. The purpose of this report is to act as the City's response to the survey subject to Council approval.

BACKGROUND

The Federal Government returns the federal gas tax to local governments across Canada. In Metro Vancouver, this funding is administered by the UBCM and is divided into two components; being the Strategic Priorities Fund and the Innovations Fund. Appendix "A" titled "Existing Building Canada Plan (2007-2014) – Funding Flow" is a diagram that illustrates how the current funding in the Building Canada Fund is distributed nationally and how the Gas Tax component is distributed provincially including the Metro Vancouver Region. In 2005, the Metro Vancouver Board agreed that 100% of the funding related to the Strategic Priorities Fund component of the Gas Tax Agreement in the Metro Vancouver Region would be dedicated to TransLink to fund the capital cost of transit facilities (i.e. new buses, new transit lines, etc). Funding under the Innovations Fund component of the Agreement is available to municipalities in Metro Vancouver subject to an applications process.

The 2005 funding arrangement between UBCM and Metro Vancouver related to the Federal Gas Tax Agreement is set to expire in 2014.

DISCUSSION

The Federal Government has announced, through its 2013 budget process, a new Building Canada Plan. Appendix “B” titled “New Building Canada Plan (2014/15 to 2023/24)” documents the amount of funding that is expected to be available over the term of the Plan and the distribution of that funding between various programs. The Federal Government has committed to indexing the Gas Tax Fund by 2% annually over the term of the Plan. It has also announced that the scope of eligible projects would be broadened to include, in addition to transportation projects, those involving disaster mitigation, brownfield redevelopment, culture, tourism, sport and recreation.

In preparation for the negotiations relating to the renewal of the Gas Tax Agreement for BC, the UBCM is seeking feedback from local governments by means of a member survey on the views of local governments regarding the renewal of the agreement. This feedback will be used to develop positions that would form the basis for upcoming discussions with the federal and provincial governments. The survey, which is attached as Appendix “A”, focuses on the scope of eligible projects and the distribution of available funding between pooled and direct allocations.

As noted previously in this report, TransLink currently receives all of the funding that the Strategic Priorities component of the Gas Tax makes available to local governments in the Metro Vancouver Region. It uses this funding for capital purposes. This has amounted to in the range of \$100+ million per year in each of the last 7 years and is a significant source of funding for TransLink, which has an annual budget in the range of \$1.1 billion.

Despite the relatively large budget that is available to TransLink the capital plan that it has contemplated to ensure that the Region is properly positioned from a mobility perspective to accommodate both current transportation demands and the demands that on-going growth (such as the LRT system in Surrey) and roads requires that additional funding be made available to TransLink. Given the importance of transportation infrastructure and transit service to the well-being of the Region, it is recommended that Translink continue to receive a similar dollar amount per year of the Gas Tax funding (net of the 2% indexing per year that has been introduced by the Federal government) until a new funding strategy is approved for TransLink. Once such a TransLink funding strategy is approved, the allocation of the Gas Tax funding within the Region should be revisited.

It is also recommended that the remaining portion of the available Gas Tax Funding (that has to date been used for the Innovation Fund) including the 2% indexing of the Gas Tax be allocated on a ‘per-capita’ basis to each local government in the Region for capital purposes. Such an approach would be equitable and provide some certainty in relation to the revenue stream that would be available to each local government to fund community-based capital initiatives. Such certainty will allow for a more effective use of such funding. This would displace the current Innovations Fund that does not distribute funding equitably across Regional municipalities.

The funding in the Innovation Fund, which has been allocated approximately \$12 million per year, has been distributed by means of an application and related evaluation process. The projects funded under this component are intended to focus on environmental sustainability and innovation. Eligible Projects include those that result in tangible capital assets in BC primarily for public use or benefit, that are owned by an eligible recipient, that improve the quality of the environment and that contribute to reduce GHG emissions, cleaner air and cleaner water. All applications are reviewed by a Gas Tax technical assessment team and are evaluated based on criteria set out in the program guidelines (e.g., sustainable community outcomes, environmental

outcomes, large in scale, regional in impact or innovative technology or approach). These reviews are forwarded to the Gas Tax Management Committee, which then approves projects in the priority of the evaluation results. The Gas Tax Management Committee that consists of senior staff appointed by Infrastructure Canada, BC Ministry of Community, Sport, and Cultural Development, and the UBCM. Each municipality in the Region may submit one application to the Innovation Fund annually. Surrey has made application for funding from the Innovation Fund in each of five different years and has not received any funding from this source to date.

Senior staff has reviewed the UBCM survey and has completed it in a manner that is intended to represent a balanced approach to addressing TransLink needs while ensuring that remaining available funding is used for a variety of core needs of municipalities across the Region and is equitably shared across municipalities in the Region. A copy of the completed Member Survey is attached to this report as Appendix “C”.

SUSTAINABILITY CONSIDERATIONS

The recommendations of this report in relation to the allocation of the Federal Gas Tax Fund within the Metro Vancouver Region if implemented will assist in achieving the objectives of the City’s Sustainability Charter; more particularly the following Charter actions:

- EC13: Municipal Finance Reform, namely that the City will seek creative reform of finances such that revenue streams available to municipal governments are expanded to create a level playing field among municipalities; and
- EN 15: Sustainable Transportation Options, which states that the City will work with the Province and TransLink to dramatically increase transit service and the frequent transit network in the City of Surrey, and advocate for sustainable transportation services at all levels of responsibility by maximizing regional, provincial, and federal funding for transportation.

CONCLUSION

The Finance and Technology Department and the Engineering Department recommend that Council authorize the City Clerk to forward to the Union of British Columbia Municipalities as the City of Surrey’s response to the member survey entitled “Renewed Gas Tax Fund” a copy of this report along with the completed copy of the related survey form that is attached to this report as Appendix “C” and a copy of Council’s resolution related to this report.

Vivienne Wilke
General Manager,
Finance & Technology

Vincent Lalonde
General Manager, Engineering

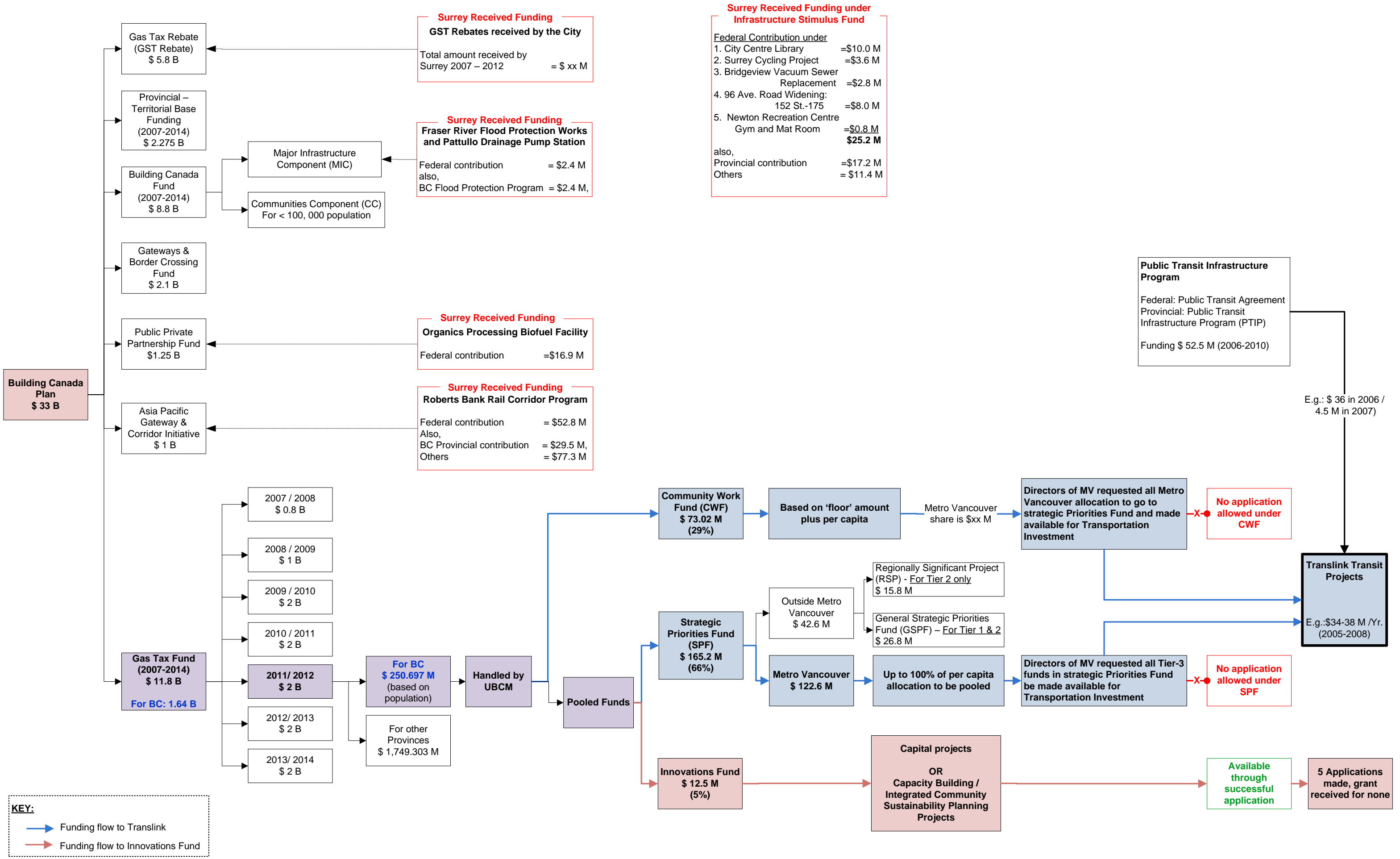
Attachment:

Appendix “A”: Existing Building Canada Plan (2007-2014) – Funding Flow

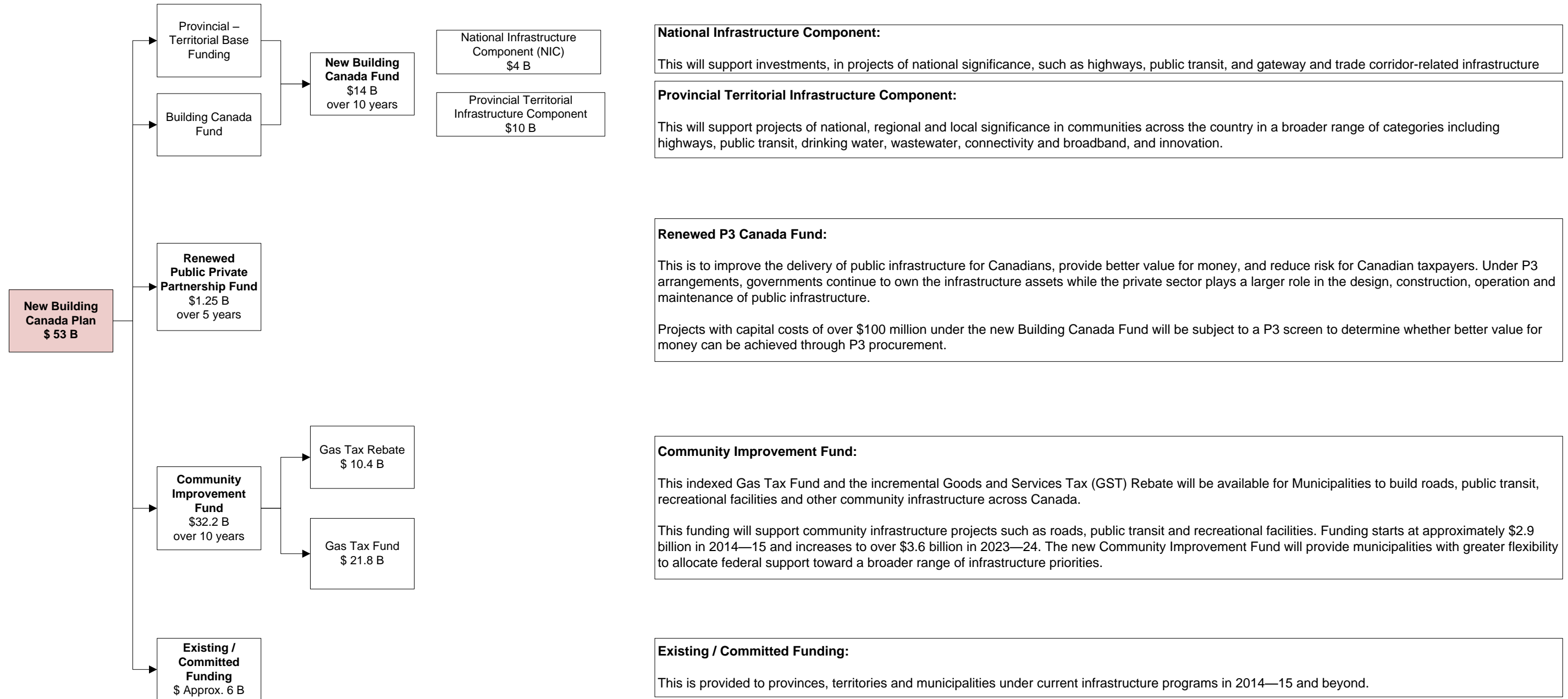
Appendix “B”: New Building Canada Plan (2014/15 to 2023/24)

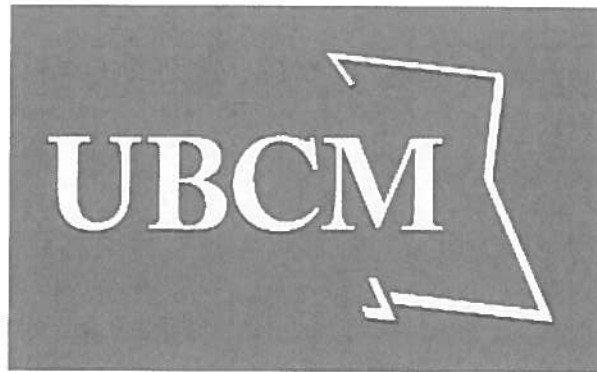
Appendix “C”: Completed copy of the UBCM Member Survey titled “Renewed Gas Tax Fund – Member Survey”

BUILDING CANADA PLAN (2007-2014) FUNDING FLOW



NEW BUILDING CANADA PLAN (2014/15 to 2023/24)





Renewed Gas Tax Fund - Member Survey

*Members wishing to inform UBCM's participation in discussions leading to a renewed Gas Tax Fund agreement, are asked to complete the following survey by **August 31, 2013**. Surveys may be completed by individual members of Municipal Councils and Regional District Boards, as well as senior local government staff.*

THANK YOU

Local Government Name*

City of Surrey

Contact Name*

Murray Dinwoodie

Email*

MDDinwoodie@surrey.ca

UBCM is preparing for discussions with the federal and provincial governments about a 10 year renewed Gas Tax Agreement in BC, and have prepared this member survey as part of our member consultation program leading towards those discussions.

The survey builds on policy direction provided by the annual resolution process, and a September 2012 survey on the Long-Term Infrastructure Plan (LTIP).

LTIP was a federally lead engagement process meant to inform infrastructure programming beyond the 2014 expiry of the Building Canada Plan, including both the Building Canada Fund and the renewed Gas Tax Fund. As such, UBCM's LTIP submission provided high-level recommendations in relation to both programs.

This survey is intended to bring those recommendations into sharper focus, at a more detailed level, and relating just to the renewed Gas Tax Fund.

Scope of Eligible Projects

1. The Federal Budget 2013 proposed a broadening of the scope of eligible infrastructure projects for the renewed Gas Tax Fund to include all of the project categories listed below. Please indicate which of these proposed project categories represent infrastructure needs in your community. Select all that are applicable.

- Public Transit
- Local Roads, Bridges and Tunnels
- Active Transportation
- Water and Wastewater
- Solid Waste
- Community Energy
- Highways
- Local and Regional Airports
- Short-Sea Shipping
- Disaster Mitigation
- Broadband and Connectivity
- Brownfield Redevelopment
- Culture
- Tourism
- Sport and Recreation

2. Based on previous resolutions and results of the LTIP survey, UBCM recommended in our LTIP submission that scope under the Gas Tax Fund be broadened to include all local government infrastructure. The federally proposed scope as identified in question 1 moves eligibility under Gas Tax in the direction of UBCM's recommendation, but it falls short of that goal. What infrastructure needs does your community have that are not included in the list in question 1?

- Emergency Services (fire halls, fire trucks, police buildings)
- General Government Infrastructure (local government and other municipal buildings)
- Other (please specify below)

3. Which of the following best represents your views about appropriate scope for projects funded under the Gas Tax Agreement?

- In order to focus the investment on core local government infrastructure, the current capital project categories should be maintained (i.e., public transit, water and wastewater, community energy, solid waste, local road, bridge and tunnel and active transportation infrastructure) and no further additions should be made
- The range of infrastructure listed in question 1 is appropriate
- All local government infrastructure should be eligible
- Other (please specify below)

Limited to those items checked in Question #1

4. The current Gas Tax Agreement requires that capital projects result in reduced greenhouse gas emissions, cleaner air or cleaner water. Which of the following best represents your views about required outcomes for capital projects funded under the renewed Gas Tax Agreement if the scope of eligible projects were expanded to those categories set out in question 1?

- Retain the existing focus on reduced greenhouse gas emissions, cleaner air and cleaner water
- Expand the required outcomes in keeping with the broader range of eligible projects, including such things as environmental, social, health, community, and economic outcomes
- Move to a framework that does not require specific outcomes, but rather requires local governments to report on whatever benefits each of their Gas Tax funded projects achieve
- Other (please specify below)

Pooling and Direct Allocation

5. The current BC Gas Tax Agreement provides some funding that is allocated directly to local governments, so that they make local choices about which eligible infrastructure projects to fund (Community Works Funds), and some funding that is pooled (application-based) and made available for projects that are innovative, larger in scale, or regional in impact. What objectives are important to support with pooled funding under the renewed Gas Tax agreement? Please rank each of the potential objectives in order of importance to your community.

	1	2	3	4
Projects that are larger (or more costly) than could be accommodated with per capita funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Projects that are regional or sub-regional in impact	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Projects that represent innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If you have indicated above that pooled funds should support other objectives, please identify the objectives that should be supported.

In the MV Region TransLink has been the recipient of pooled funding. It is recommended that the remaining portion of the available Gas Tax Funding that is not allocated to TransLink (including all of the funding that will accrue to the Region from the 2% indexing of the Gas Tax) be allocated on a 'per-capita' basis to each local government in the Region for capital purposes. Such an approach would be equitable and provide some certainty in relation to the revenue stream that would be available to each local government to fund community-based capital initiatives. Such certainty will allow for a more effective use of such funding. This would displace the current Innovations Fund that does not distribute funding equitably across Regional municipalities.

6. The membership endorsed an approach of combining allocated and pooled funding under the current Gas Tax Agreement through a 2004 Convention Policy Paper (available at: www.ubcm.ca). UBCM's LTIP submission recommended a mix of allocated and pooled funding for the renewed Gas Tax Fund. There is always a balance to be struck between allocated funding and pooled funding. Per-capita allocations provide certainty of future grant payments, and allow for local decisions about funding priorities, but they may not be sufficient to fund larger scale projects. Pooled funding can help to fund projects that are larger than can be accommodated with per capita funding, and can help to focus funding on specific priorities (like

innovations). However, there is rarely enough funding in the pool to fund all applications, so many worthy applications must be turned down. More funding going into a pool can help, but in recent memory, even with significant initial contributions, the programs remain significantly oversubscribed. Which of the following best represents your views about the balance between allocated and pooled funding programs for a renewed Gas Tax Agreement?

- Keep the balance the same as in the current Gas Tax Agreement.
- Provide more into the allocation based program (i.e., Community Works Fund) and less in pooled programs
- Provide more in pooled programs and less in the allocation based program (i.e., Community Works Fund)

Unless you have answered that the renewed Gas Tax agreement should provide the same mix of pooled and allocation based programs, please provide information about what you see as the ideal program-mix:

In the MV Region TransLink has been the recipient of pooled funding. It is recommended that the remaining portion of the available Gas Tax Funding that is not allocated to TransLink (including all of the funding that will accrue to the Region from the 2% indexing of the Gas Tax) be allocated on a 'per-capita' basis to each local government in the Region for capital purposes. Such an approach would be equitable and provide some certainty in relation to the revenue stream that would be available to each local government to fund community-based capital initiatives. Such certainty will allow for a more effective use of such funding. This would displace the current Innovations Fund that does not distribute funding equitably across Regional municipalities.

7. For small communities, per capita funding allocations may be too small to fund much in the way of infrastructure. One way the current Gas Tax Agreement tries to ensure that allocated funding is sufficient to allow for some infrastructure investment by all communities receiving Community Works Funds is to provide a \$50,000 floor amount for each local government in addition to the per capita amount. Keeping in mind that the larger the floor amount, the less is available for per capita amounts, which of the following best represents your views about the balance between floor amounts and per capita amounts for a renewed Gas Tax Agreement?

- Maintain the same balance as under the current agreement (i.e., \$50,000 floor per local government)
- Increase the floor amount and reduce the per capita amount
- Decrease the floor amount and increase the per capita amount

Unless you answered that the balance between floors and per capita amounts should remain the same, please indicate what you see as the ideal balance between floor amounts and per capita amounts:

Capacity Building

8. The current Gas Tax Agreement provides the opportunity to use Gas Tax Funds to support various planning and other capacity building activities of local governments, with a focus on Integrated Community

Sustainability Planning (ICSP). The federal budget has indicated an interest in promoting asset management for local government infrastructure in the renewed Gas Tax Agreement. What options would be most useful in furthering your community's asset management activities? Please rank your top three.

	1	2	3
Allow Gas Tax funding to be used towards asset management plans or full life cycle costing for infrastructure investments	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Develop tools, resources, best practices, that can be used by all local governments to manage their assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Focus capacity building funding in the application-based programs towards asset management projects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retain the requirement to undertake integrated community sustainability planning and provide some guidance about how asset management can fit within that framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provide a requirement to undertake asset management during the term of the renewed agreement in accordance with a flexible framework that recognizes my community's capacity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Require Asset Management Plans as a condition of Gas Tax Funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Gas Tax Reporting & Compliance Requirements

9. The current Gas Tax Agreement provides a range of accountability requirements applicable to local governments (annually reporting on funds received, interest earned, expenditures and project details; annual audit, with a sample of recipients chosen for audit each year; periodic reporting on outcomes from each of the projects funded; communications protocol). In addition, the pooled funding programs include specialized application and claims processes. The membership have called for administrative streamlining in infrastructure programming, and UBCM's LTIP submission recommended streamlining of requirements to ensure a minimum of bureaucracy with accountabilities that consider local government capacity. Please compare the following accountability provisions under the current Gas Tax Agreement to other federal and provincial infrastructure grant programs you have been involved in.

	Gas Tax is easier than other programs	Gas Tax is about the same as other programs	Gas Tax is harder or more onerous than other programs	Not Sure
Application Processes	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Claims Processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Audit and other financial accountability measures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Reporting on Projects and Expenditures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Reporting on Outcomes or Benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Communications Requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

10. If you have specific ideas about how to streamline program requirements, please provide them below:

Thank you for completing the survey.

Submit Form