Agenda – Executive Policy Committee – July 16, 2014

REPORTS

Item No. 1 Municipal Gas Tax Agreement

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the City enter into a Municipal Gas Tax Agreement with the Province of Manitoba in accordance with the terms and conditions set forth in this report.

2. That authority be delegated to the Chief Administrative Officer to finalize and approve the terms and conditions of the Municipal Gas Tax Agreement, in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

3. That the purpose of the Federal Gas Tax Reserve be amended to include eligible project categories as listed in attached Appendix A.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: **MUNICIPAL GAS TAX AGREEMENT**

Critical Path: **EPC- Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Holsten Boyer	M. Ruta	M. Ruta	D. Joshi A/CAO

RECOMMENDATIONS

1. That the City enter into a Municipal Gas Tax Agreement with the Province of Manitoba in accordance with the terms and conditions set forth in this report.

2. That authority be delegated to the Chief Administrative Officer to finalize and approve the terms and conditions of the Municipal Gas Tax Agreement**,** in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

3. That the purpose of the Federal Gas Tax Reserve be amended to include eligible project categories as listed in attached Appendix A.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The Federal Government and the Province of Manitoba have signed a second agreement with respect to the transfer of Federal Gas Tax revenue to Manitoba. This follows the first Canada-Manitoba Agreement on the Transfer of Federal Gas Tax (for the period 2005/6 to 2014/15).

In turn, the Province and the City will now enter into a new capital funding agreement which constitutes a renewal or replacement of the original agreement between the Province and the City. Council approval is required to enter into this Municipal Gas Tax Agreement (the "Agreement") with the Province and modify the existing purpose of the Federal Gas Tax Reserve, to include the new eligible project categories as listed in attached Appendix A.

This Agreement will cover the period April 1, 2014 to March 31, 2024 unless terminated earlier in accordance with the Agreement. Funds received by Manitoba from Canada will be distributed to municipalities in accordance with the following formula:

- 90% will be allocated to all municipalities on a per capita basis,
- 9.5% will be allocated to the transit communities of Winnipeg and Brandon on a per capita basis,
- .25% will be allocated for the application-based Small Communities Transportation Fund, and
- .25% will be allocated to Manitoba's administration expenses.

For fiscal years 2014/15 to 2018/19, the per capita allocation of funds will be based on the City's population as reflected in the 2011 Census. For fiscal years 2019/20 to 2023/24, the per capita allocation of funds shall be based on the City's population as reflected in the 2016 Census.

The new Canada-Manitoba Gas Tax Agreement is an administrative agreement setting out the terms and conditions for providing gas tax funds to the Province; Canada has not included the annual payment amounts Manitoba will receive. Similarly, the Agreement between the City and Manitoba does not include annual payment amounts. Instead, the City has received a separate draft municipal gas tax allocation schedule indicating the following amounts for the City of Winnipeg (including Transit):

- 2014/15 - $39.95 million,
- 2015/16 - $39.95 million,
- 2016/17 - $41.95 million,
- 2017/18 - $41.95 million, and
- 2018/19 - $43.95 million.

Payment of gas tax funds will occur in two semi-annual payments, to be made by July 30th and March 31st of each fiscal year of the Agreement, and shall be used to pay Eligible Expenditures (see Appendix B) incurred with respect to Eligible Projects (see Appendix A).

IMPLICATIONS OF THE RECOMMENDATIONS

The Agreement includes the following changes compared to the previous agreement:

- Eligible projects have been expanded to include more project categories, see details in Appendix A.
- The communications protocol has a new provision requiring the City to provide information on planned eligible projects prior to the construction season to help plan communications events for the coming year.
- There is a requirement to work toward the development and/or implementation of an Asset Management Plan prior to March 31, 2018.

HISTORY

The original Canada-Manitoba agreement on the transfer of Federal Gas Tax revenue was made under the New Deal for Cities and Communities as of November 18, 2005. That original agreement term was April 1, 2005 to March 31, 2015. Canada's allocation to Manitoba for the initial 5 year period was $167.25 million. The original Manitoba-Winnipeg agreement was subsequently made in April 2006 for the same term with initial 5 year funding 2005/06 to 2009/10 (including Transit) of $101.33 million.

The original Canada-Manitoba agreement was also amended on June 9th, 2009 to confirm that $264.63 million in gas tax funding will flow to Manitoba over the 4 year period of 2010/11 to 2013/14. The original Manitoba-Winnipeg agreement was updated twice:

- one amendment on May 29, 2007 broadened project eligibility to include Winnipeg active transportation infrastructure (e.g. bike lanes), local roads, bridges and tunnels, and
- one extension on July 20, 2010 to confirm funding to Winnipeg of $40.45 million each year for 2010/11 to 2013/14 for a total of $161.8 million over the 4 year period.

FINANCIAL IMPACT

Financial Impact Statement

Date: July 10, 2014

Project Name:

Municipal Gas Tax Agreement

First Year of Program **2014**

(in thousands)	2014	2015	2016	2017	2018
Capital					
Capital Expenditures Required	$ -		$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -		$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-		-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other -	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The gas tax funding under the terms of this agreement has been included in the City's Capital Budget and Capital Forecast for eligible projects.

Original signed by Elaine Waterman for
Fernando Dela Cruz
Acting Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Legal Services

SUBMITTED BY

Department: Corporate Finance
Division: Financial Planning and Review
Prepared by: Betty Holsten Boyer
Date: June 20, 2014
File No.

APPENDIX A

ELIGIBLE PROJECT CATEGORIES

1. Local Roads and Bridges – roads, bridges and active transportation infrastructure (active transportation refers to investments that support active methods of travel. This can include: cycling lanes and paths, sidewalks, hiking and walking trails).

2. Highways – highway infrastructure.

3. Short-sea Shipping – infrastructure related to the movement of cargo and passengers around the coast and on inland waterways, without directly crossing an ocean.

4. Short-line Rail – railway-related infrastructure for carriage of passengers or freight.

5. Regional and Local Airports – airport-related infrastructure (excludes the National Airport System).

6. Broadband Connectivity – infrastructure that provides internet access to residents, businesses, and/or institutions in Canadian communities.

7. Public Transit – infrastructure that supports a shared passenger transport system which is available for public use.

8. Drinking Water – infrastructure that supports drinking water conservation, collection, treatment and distribution systems.

9. Wastewater – infrastructure that supports wastewater and storm water collection, treatment and management systems.

10. Solid Waste – infrastructure that supports solid waste management systems including the collection, diversion and disposal of recyclables, compostable materials and garbage.

11. Community Energy Systems – infrastructure that generates or increases the efficient usage of energy.

12. Brownfield Redevelopment – remediation or decontamination and redevelopment of a brownfield site within municipal boundaries, where the redevelopment includes: (i) the construction of public infrastructure as identified in the context of any other category; and/or (ii) the construction of municipal use public parks and publicly-owned social housing.

13. Sport Infrastructure – amateur sport infrastructure (excludes facilities, including arenas, which would be used as the home of professional sports teams or major junior hockey teams).

14. Recreational Infrastructure – recreational facilities or networks.

15. Cultural Infrastructure – infrastructure that supports arts, humanities, and heritage.

16. Tourism Infrastructure – infrastructure that attracts travelers for recreation, leisure, business or other purposes.

17. Disaster Mitigation – infrastructure that reduces or eliminates long-term impacts and risks associated with natural disasters.

18. Capacity Building – includes investments related to strengthening the ability of local governments to develop long-term planning practices.

Not eligible: investments in health infrastructure (hospitals, convalescent, senior centres).

APPENDIX B

ELIGIBLE AND INELIGIBLE EXPENDITURES

The following are eligible expenditures under the Agreement:

1. Expenditures associated with acquiring, planning, designing, constructing or renovating a tangible capital asset and any related debt financing charges specifically identified with that asset.

2. For capacity building category, expenditures related to strengthening the ability of municipalities to improve local and regional planning including capital investment plans, integrated community sustainability plans, life-cycle cost assessments, and Asset Management Plans.

3. Expenditures directly associated with joint federal communication activities and federal project signage.

The following are ineligible expenditures under the Agreement:

1. expenditures incurred before April 1, 2005

2. expenditures incurred before April 1, 2014 for all eligible project categories except local roads and bridges, public transit, drinking water, wastewater, solid waste, community energy systems, capacity building

3. cost of leasing equipment by the City

4. overhead costs, including salaries and employment benefits of any employees of the City

5. direct or indirect operating or administrative costs of the City (including costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its staff)

6. taxes and other costs eligible for rebate

7. purchase of land and related costs

8. legal fees

9. routine repair and maintenance costs