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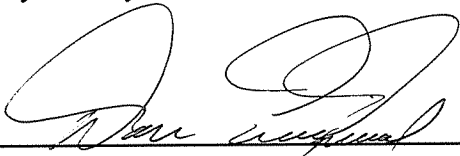


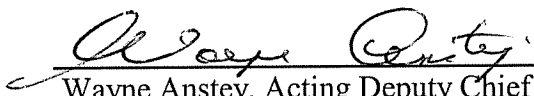
PO Box 1749  
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Halifax Regional Council  
December 13, 2005  
Committee of the Whole

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
\_\_\_\_\_  
Dan English, Chief Administrative Officer

  
\_\_\_\_\_  
Wayne Anstey, Acting Deputy Chief Administrative Officer

**DATE:** December 8, 2005

**SUBJECT:** Gas Tax Supplementary Report

### ORIGIN

At the November 29, 2005 Committee of the Whole meeting, questions were raised about the process through which HRM has and/or will be identifying projects to which gas tax revenues will be allocated. Gas tax updates were provided to Council on October 11, 2005 and October 25, 2005. The following report highlights gas tax agreement criteria and suggests an approach to allocate funds.

### RECOMMENDATION

It is recommended that :

1. Council approve the approach to allocating gas tax funds as indicated in this report.

## **BACKGROUND**

On September 23, 2005 the Province of Nova Scotia and the Government of Canada signed a bilateral agreement to transfer a portion of federal gas tax revenue to municipalities.

For municipalities in Nova Scotia to receive the funds, a number of criteria and requirements must be formally agreed to, by the signing of a Municipal Funding Agreement. The Agreement provides the details of the responsibilities of the parties in the partnership. HRM's signing of the agreement was approved by Council October 25, 2005. HRM is scheduled to sign an agreement on Tuesday December 13, 2005.

Funds from the Gas Tax will be directed at environmentally sustainable municipal infrastructure, such as public transit, water and wastewater systems, community energy systems, solid waste management, rehabilitation of roads and bridges, and capacity building.

### **Gas Tax Agreement Highlights**

Following is a brief summary highlighting some of the terms and conditions contained within the Municipal Funding Agreement.

#### Municipal Requirements:

- Funds must result in net incremental capital spending on environmentally sustainable infrastructure from April 1, 2005 to March 31, 2010
- The funds will not clawback any current capital funding
- Average annual capital spending on municipal infrastructure will not fall below \$58m (HRM 2005/06 capital budget is \$62.1m not including gas tax funds)
- HRM will supply a capital investment plan by year 5
- HRM will develop over the term of the agreement a community sustainability plan
- HRM will provide access to records related to funded projects if requested
- HRM will comply with the communications protocol outlined
- HRM will retain title to the resulting infrastructure for at least 10 years

#### Eligible Projects Include:

- Public transit (rapid transit, transit busses, ITS, HOV lanes etc)
- Water (drinking water supply, distribution, metering)
- Wastewater (wastewater and stormwater)
- Solid waste (diversion, recovery facilities, organics management, landfills, landfill gas recuperation)
- Community energy systems (cogeneration, district heating)
- Active transportation infrastructure (bike lanes, local roads, bridges, tunnels)

#### Eligible Costs Include:

- Capital costs
- Fees to professionals

- Environmental assessments

**Ineligible Costs Include:**

- Costs incurred prior to April 1, 2005
- Services normally provided
- Salaries
- Overhead (operating, administrative, planning)
- Feasibility and planning studies
- Taxes
- Land
- Leasing equipment
- Routine repair/maintenance
- Audit/evaluation

**Reporting:**

- By agreement end, HRM will provide an integrated multi year capital investment plan and an integrated community sustainability plan
- HRM will provide a capital budget, including a list of proposed capital projects, with eligible projects identified prior to fund transfer
- HRM will provide a summary of gas tax fund expenditures for each project
- HRM will provide a summary of actual expenditures on other capital projects
- An annual expenditure report will be provided each year by July 31
- HRM will provide an outcomes report by March 31, 2009 highlighting investments made and the degree they contributed to program objectives – cleaner air, cleaner water, reduced greenhouse gas emissions

**Audits:**

- Nova Scotia may audit, or ask HRM to audit, any eligible project and costs are paid by municipality

**Communications:**

- There will be a public Agreement signing event
- Regular announcements of projects that benefited from gas tax
- All communications acknowledge federal contributions
- Permanent signage at location of projects receiving investment

**Estimated Gas Tax Funding**

HRM expects to receive approximately \$60m in 5 years. In year 1 of the agreement (2005/2006) HRM will receive \$7,642,567. In the absence of approved Federal/Provincial criteria, staff included the estimated gas tax revenue as a funding source in the 2005/06 capital budget (originally estimated at \$7.9m). This effectively increased the 2005/06 capital budget and allowed additional projects to be added.

### **Sample Project Allocation Distributed for Discussion**

During Program and Service Committee and Regional Council meetings in January and February 2005 on the 2005/06 budget, presentations were made regarding a fuel tax sharing proposal based on what was known at that point about the program. It was estimated that \$7.9m would be available to HRM in 2005-2006, and staff proposed the funds be used to fund specific capital projects, conditional on funds being realized.

Based on what was known about the program at that point in time, staff proposed an allocation of 2/3 to Public Transit and 1/3 to Streets and Roads. Based on this proposed allocation, staff increased the capital envelope for Transportation and Public Works. In addition, staff prepared a sample project allocation based on said principle. The final allocation, however, was not intended to be determined until final criteria was available. The sample project allocation (attachment A) was distributed to Council in March 2005. The sample allocation was used for discussion purposes and was not approved for the purpose of Gas Tax allocation. All projects on the list are now underway.

### **Gas Tax Used as Funding Source**

In March 2005 details of the Gas Tax program were still outstanding and staff provided an update to Council which proposed that due to the uncertainty of how the Gas Tax was to be applied it should be used as a funding source for the 2005/06 proposed capital budget, allowing the capital program to increase accordingly. At that time staff indicated that they would return to Council so that criteria could be approved for allocation of Gas Tax funds, once the overall criteria was known. This approach also reflected individual Councillors requests during budget deliberations that the Gas Tax funds be used to benefit all of HRM.

For 2005/06 the estimated \$7.9 million in Gas Tax funds supported increases in the capital budget, although only as a funding source. The funds could not be specifically allocated to projects since no final Federal/Provincial criteria had been agreed to at the time the budget was approved. For the 2005/2006 budget year, HRM has already seen the financial impact of the gas tax. The signing of the agreement generally confirms budget assumptions (HRM will receive \$7.6m for 2005/2006) and allows HRM specific criteria to be set by Council. This criteria must reflect the Federal/Provincial program criteria.

### **Approval of HRM General Infrastructure Criteria**

On October 11, 2005 Council approved general infrastructure criteria to be used for staff to prioritize infrastructure projects for upcoming funding opportunities. As well, it was agreed that additional criteria would be layered on as required for specific program purposes. For Gas Tax it was agreed that this criteria would be used to allocate the funds which were included in the 2005/2006 budget for program reporting purposes.

## **DISCUSSION**

Because the Gas Tax funding was announced and committed prior to specific program criteria being available, for 2005/2006 gas tax allocations, HRM is required to report retroactively on the specific projects selected for these funds. For all future years, HRM is required to state, in advance of funds

being received, which projects will be funded by the gas tax revenue.

**2005/2006 Recommended Allocation Approach**

Staff are recommending that for 2005/2006 allocation, the general infrastructure criteria approved by Council on October 11 be used, in addition to federal/provincial criteria outlined in the agreement. Staff will develop a recommended list and forward it to council for review. It is important to note that this will not result in the addition of any new capital projects in 2005/06 as the projects and the gas tax revenue were already included in the 2005/06 capital budget. This is simply an allocation of funding for program reporting purposes.

**2006/2007 and Future Years, Recommended Allocation Approach**

For years 2006/2007 and beyond, staff recommend the same general approach be followed. Using the draft short term infrastructure pressures list that is currently under development as a starting point, Council general infrastructure criteria and Gas Tax agreement criteria will be applied to projects to determine suitability for Gas Tax consideration. Once projects have been identified, they will be forwarded to council for consideration and discussion prior to submission to the Province as part of the capital budget process.

**BUDGET IMPLICATIONS**

There are no budget implications associated with this report. Any budget implications will be dealt with during the regular budget and business planning process and staff will come back to council with a list of recommended projects for gas tax allocation. 2005/2006 budget implications of the gas tax transfer were estimated to be \$7.9m and included in the 2005/2006 HRM Budget. In year 1 of the agreement (2005/2006), HRM will receive approximately \$7.6m. HRM will have to reduce or delay a capital project or find another funding source to make up the shortfall.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

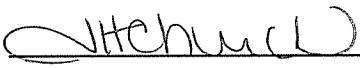
Council could choose another approach to allocate gas tax funds.

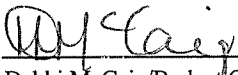
Council could choose to allocate the gas tax funds based on the sample project allocation that was reviewed with Council during Program and Service in late winter 2005 that was based on an allocation of 2/3 to Public Transit and 1/3 to Streets and Roads. This approach is not recommended by staff.

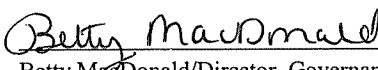
**ATTACHMENTS**

None.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Financial Review:   
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Report Approved by:   
Betty MacDonald/Director, Governance and Strategic Initiatives/490-4769

**Attachment A - Sample Project Allocation - Distributed March 2005**

<b>Fuel Tax Projects - Proposed</b>	
<b>Strategic Transit:</b>	
CVD00434 Conventional Bus Expansion	2,650,000
CVD00435 Conventional Bus Replacement	2,650,000
Total Transit	5,300,000
<b>CZU00717 Streets and Roads:</b>	
Clayton Park Drive	340,000
Duke Street	55,000
Inglis Street	380,000
Kearney Lake Rd	420,000
Portland St	90,000
<b>CYU00716 Paving Renewals</b>	
Topsail Blvd	415,000
<b>CRU00684 Bridge Repairs</b>	
Shore Drive Bridge	900,000
Total Streets and Roads	2,600,000
<b>Total Budgeted Fuel Tax Funding</b>	<b>7,900,000</b>