

Item No.
Audit & Finance Standing Committee
September 18, 2013

TO: Chair and Members of Audit & Finance Standing Committee

Original Signed

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed

Jane Fraser, Director, Planning and Infrastructure

DATE: July 24, 2013

SUBJECT: **2013/14 Gas Tax Funding Allocation**

ORIGIN

Municipal Funding Agreement between the Province of Nova Scotia and the Halifax Regional Municipality approved by Regional Council on October 12, 2010.

LEGISLATIVE AUTHORITY

Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Regional Council approve a \$2,885,800 unbudgeted reserve withdrawal from Reserve Q134 - Gas Tax Reserve, to fund Project No. CM020005 – New Transit Technology.

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 revenues to the municipalities. In turn, a Municipal Funding Agreement outlining program criteria and requirements must be signed in order for the municipalities to receive those funds.

On December 13, 2005, Halifax Regional Municipality signed the first agreement which spanned the years 2005/06 to 2009/10 inclusive. This agreement had expired and HRM subsequently approved an agreement extension on October 12, 2010, which spans the years 2010/11 to 2013/14 inclusive.

The Federal/Provincial transfers are based on the distribution of population across Canada, and the transfers to the Municipalities are based on population, standard expenditures and dwelling units within the Province.

Generally speaking, the Gas Tax Funding (GTF) program funds sustainable projects such as transit, water, wastewater, solid waste, and community energy programs. The GTF program is not application based; rather, a sum of money is transferred to a municipality and allocated to eligible projects approved by Council in the Capital Budget.

The 2013/14 Project Budget was the first budget that included an allocation of the Gas Tax Funding to individual projects. Prior to this, a separate report was presented after the budget was adopted to comply with the Gas Tax Funding Program requirements.

An estimate of the Gas Tax Funding, in the amount of \$25,150,000, is included in the 2013/14 Reserve Budget and within the Project Budget. This amount has been fully allocated to Metro Transit and street recapitalization projects.

If the actual amount of Gas Tax funds received for 2013/14 is greater than \$25,150,000, then any accumulated surplus will remain in the reserve and be applied to the 2014/15 projects.

DISCUSSION

Currently, \$2,885,800 of Gas Tax Funds previously allocated to the former MetroLink program remains un-committed in the reserve, as the funds were released back to the reserve and were not included in the 2013/14 Reserve Budget to be reallocated to the New Transit Technology Project. This funding source was taken into account when Metro Transit's project budget was formed. Council approved the project budget amounts during the budget process and the approval of this transfer will assign the Gas Tax funding to projects with eligible expenditures.

The following criteria have typically been applied when selecting projects to be funded from the Gas Tax revenue:

1. *Avoid a large unspent balance in the reserve:*

Projects should have a high degree of certainty that they will be carried out and in addition, have a high proportion of eligible expenses.

2. *Administrative ease:*

A few large projects are more desirable than many small projects.

3. *Distribution of benefit:*

A mix of transit and non-transit projects are typically selected to distribute the benefits of the program to projects funded from both the general rate as well as the transit rate.

FINANCIAL IMPLICATIONS

Gas Tax Funds of \$2,885,800 will be allocated from the Gas Tax Reserve Q134 to project # CM020005 – New Transit Technology. There will be no gross or net budget impacts as this amount was included in the formation of the 2013/14 project budget. The approval of this recommendation will increase the 2013/14 Reserve withdrawals.

Budget Summary Q134 Gas Tax Reserve

Projected March 31, 2014 net available balance (as at July 31)	\$3,581,009
Increased withdrawal per recommendation	<u>(\$2,885,800)</u>
Revised projected March 31, 2014 net available balance	\$ 695,209

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

In general terms, the Gas Tax Funding program is designed to invest federal dollars into Public Transportation and Transportation Infrastructure. HRM uses a large portion of its Gas Tax funds to invest in public transportation which will increase ridership and take vehicles off the road, which will in turn lower greenhouse gas emissions.

ALTERNATIVES

N/A

ATTACHMENTS

None

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

Report Prepared by: Mike Matheson, Senior Financial Consultant, Infrastructure, 490-5338

Report Approved by:

Original Signed

Peter Duncan, Manager, Infrastructure, 490-5449

Financial Approval by:

Original Signed

Greg Keefe, Director of Finance & ICT/CFO, 490-6308
