

DATE OF MEETING    MAY 19, 2021

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**SUBJECT             ONE TIME BONUS GAS TAX FUNDING**

## **OVERVIEW**

### **Purpose of Report:**

To provide the Finance and Audit Committee with information relating to the gas tax funding for 2021.

## **BACKGROUND**

The Federal Government announced in the February 2004 Budget that they would transfer a portion of federal gas tax to cities and communities. The parties to the agreement are the Government of Canada, the Province of British Columbia and the Union of British Columbia Municipalities (UBCM). On 2005-SEP-19 the three parties concluded a final Agreement which sets out the amount of funding, the payment schedule and who is eligible to receive funding, the eligible capital projects and costs and the obligations of recipients.

UBCM receives the funds, signs an agreement with eligible recipients and reports back to the Government of Canada on the use of the funds. The City of Nanaimo signed an agreement with UBCM as a potential recipient of funding in 2005.

UBCM established a Community Works Fund (CWF), whereby local governments receive annual funding based on a floor amount plus a per capita amount. The choice of which eligible projects will be funded is at the discretion of the local government receiving the funds (i.e. there is no application and approval process needed for CWF funding).

In March 2006, Council adopted a bylaw to establish the Community Works Reserve Fund. This statutory reserve fund receives the distributions from UBCM for the New Deal for Cities and Communities on the Transfer of Federal Gas Tax Revenues.

In 2011, the Federal Government legislated the Federal Gas Tax Fund (GTF) funding as a permanent source of infrastructure funding for municipalities. In 2013 under the Economic action Plan, the Federal Government announced that the GTF would be indexed by 2% per year. The GTF was confirmed as part of the federal Budget 2014, and will run from 2014 to 2024. A new agreement was signed between UBCM and the City in 2014. As part of the New Building Canada Plan, the renewed federal GTF provides predictable, long-term, stable funding for Canadian municipalities to assist with the building and revitalization of local public infrastructure. Allocations for the 2019 – 2024 years will be based on the 2016 Census data.

The new agreement provided a broader range of eligible project categories:

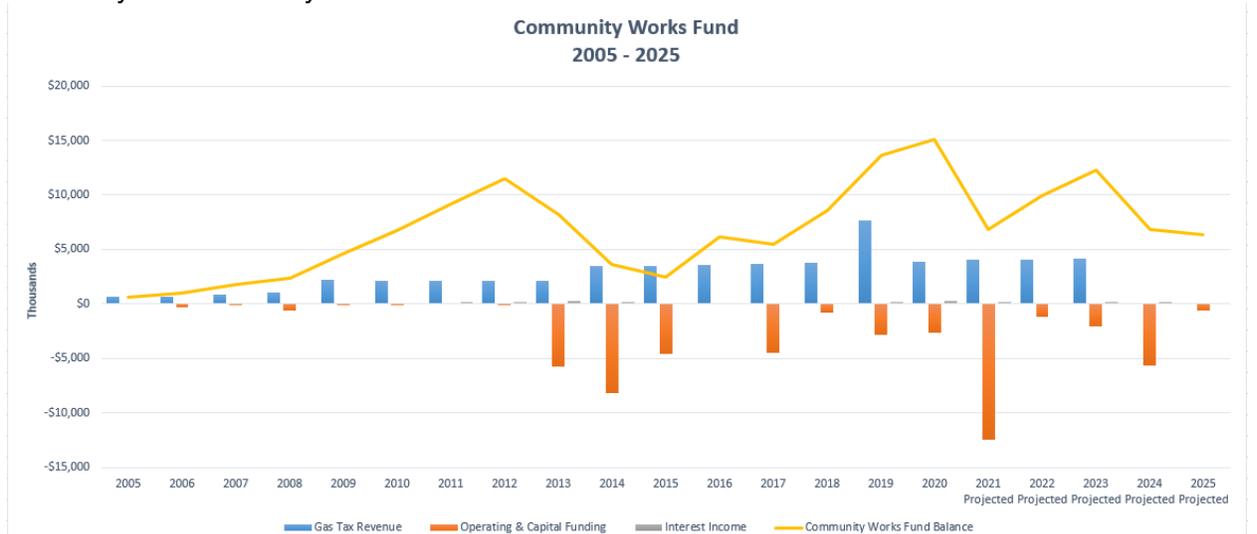
- Local road, bridges – including “active transportation”, e.g. cycling lanes, sidewalks and trails.
- Highways – highway infrastructure.
- Short-sea shipping – movement of cargo and passengers around the coast.
- Short-line rail – carriage of passengers or freight.
- Regional and local airports
- Broadband connectivity – internet access to residents, businesses and/or institutions.
- Public transit – a shared passenger transport system which is available for public use
- Drinking water – conservation, collection, treatment and distribution.
- Wastewater – wastewater and storm water collection, treatment and management.
- Solid waste – collection, diversion and disposal of recyclables, compostable materials and garbage.
- Community energy systems – infrastructure that generates or increases the efficient use of energy.
- Brownfield development – remediation or decontamination and redevelopment of a brownfield site where the redevelopment includes: the construction of public infrastructure eligible under one of these categories, and/or local government public parks and publicly-owned social housing.
- 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).
- Recreational infrastructure – recreational facilities or networks.
- Cultural infrastructure – supports arts, humanities and heritage.
- Tourism infrastructure – attracts travelers for recreation, leisure, business or other purposes.
- Disaster mitigation – reduces or eliminates long-term impacts and risks associated with natural disasters.
- Capacity building – investments related to strengthening the ability of local government to develop long-term planning practices.

In 2019, the Federal Government transferred a one-time payment of \$2.2 billion through the Federal Gas Tax Fund to address short-term priorities in municipalities and First Nation communities. The City of Nanaimo received an additional \$3,758,343 in funding in 2019.

From 2005 – 2020, the City has received \$43,423,370 in gas tax revenues and has used \$30,334,265 to fund operating and capital projects. The current balance in the Community Works Fund is \$15,088,694.

A summary of projects funding between 2005 – 2020 is attached in Attachment A and a summary of the projects in the 2021 – 2025 Financial Plan is attached in Attachment B.

### Summary of Community Works Reserve Fund balances:



## **DISCUSSION**

In the 2021 Budget, the Federal Government announced its intention to top-up the federal Gas Tax fund allocation provided to BC and other provinces and territories for 2021. Contingent upon the passing of Bill C-25, this would essentially double the Government's commitment to municipalities in 2021 and will provide infrastructure funds to communities across the country. This means that the City of Nanaimo could potentially receive up to an additional \$4,041,138 in 2021.

For projects to be eligible, the following questions should be considered:

1. Is the recipient of funding for the project an "Ultimate Recipient" by definition?
2. Will the project result in a tangible capital asset in B.C. that is primarily for public use or public benefit?
3. Does the project fall under one of the eligible investment categories?

UBCM developed guidelines for determining project eligibility for more information and examples of eligible and ineligible projects.

The following projects have been deemed an ineligible use of Community Works Funds:

- Fire halls, fire trucks, emergency operations centres
- City halls, public works buildings and other administrative buildings
- Child care centres
- Social housing
- Seniors care facilities and housing
- Health care related infrastructure
- Small equipment purchases as stand-alone projects • Feasibility studies and detailed design (without additional capital spending)
- Land
- Legal fees
- Overhead and routine maintenance costs

Staff has compiled a list of potential projects that Council could consider using the additional Gas Tax Fund revenues to fund. This list is made up of Parks and Recreation and Engineering and Public Works projects and can be found in Attachment C. |

### **SUMMARY POINTS**

- In the February 2004 Budget, the Federal government announced they would transfer a portion of federal gas tax to cities and communities.
- On September 19, 2005 the Canadian government, the Province of BC and UBCM concluded a final Agreement which set out the amount of funding, the payment schedule and who is eligible to receive funding, the eligible capital projects and costs and the obligations of recipients.
- In March 2006, Council adopted a bylaw to establish the Community Works Reserve Fund
- In the 2021 Budget, the Federal government has announced its intention to top-up the federal Gas Tax Fund allocation provided to BC and other provinces and territories for 2021.
- As a result of this one-time transfer, the City could receive up to an additional \$4,041,138 in gas tax revenues in 2021.

### **ATTACHMENTS**

Attachment A: Community Works Fund 2005-2020 Funding Summary (Historical)  
Attachment B: Community Works Fund 2021-2025 Funding Summary (Budgeted)  
Attachment C: Community Works Fund Proposed Project Funding for Top-Up Gas Tax Payment |

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