

THE FEDERAL GAS TAX FUND

**Insight
Breakfast
Session**

**2016
AMO Conference**

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WHAT IS THE FEDERAL GAS TAX FUND?

- First Administrative Agreement signed in 2005 between Canada-Ontario-AMO-Toronto
- AMO administers the Fund for 443 municipalities
- New Agreement signed in 2014 for ten years (2014–2023)
 - Permanent in federal legislation
- Focus shifted from environmental outcomes:
 - Increasing productivity & economic growth
 - Strengthening communities
 - Demonstrating progress on asset management

WHAT IS THE FEDERAL GAS TAX FUND?

- **Objective:** Invest more in infrastructure, can't displace existing capital expenditures or reduce taxes
- **Delivery:** funds distributed twice a year on a per capita basis, no application required
- **Municipal Funding Agreement:** sets out the terms and conditions, and municipal reporting requirements
- **Council** passed by-law to authorize signing of the Agreement
- **Treasurer** responsible for ensuring compliance

MUNICIPAL ALLOCATIONS

- Ontario municipalities receive \$782 Million in 2016
- Allocations made on a 50:50 basis for two-tier structures
- Allocations increase by 5% in 2016 and 2018
- **Permanent, stable, and predictable** source of funding for municipal infrastructure
- Unique arrangement – future allocations are known
- Predictability – opportunity to plan for future projects

ELIGIBLE PROJECT CATEGORIES

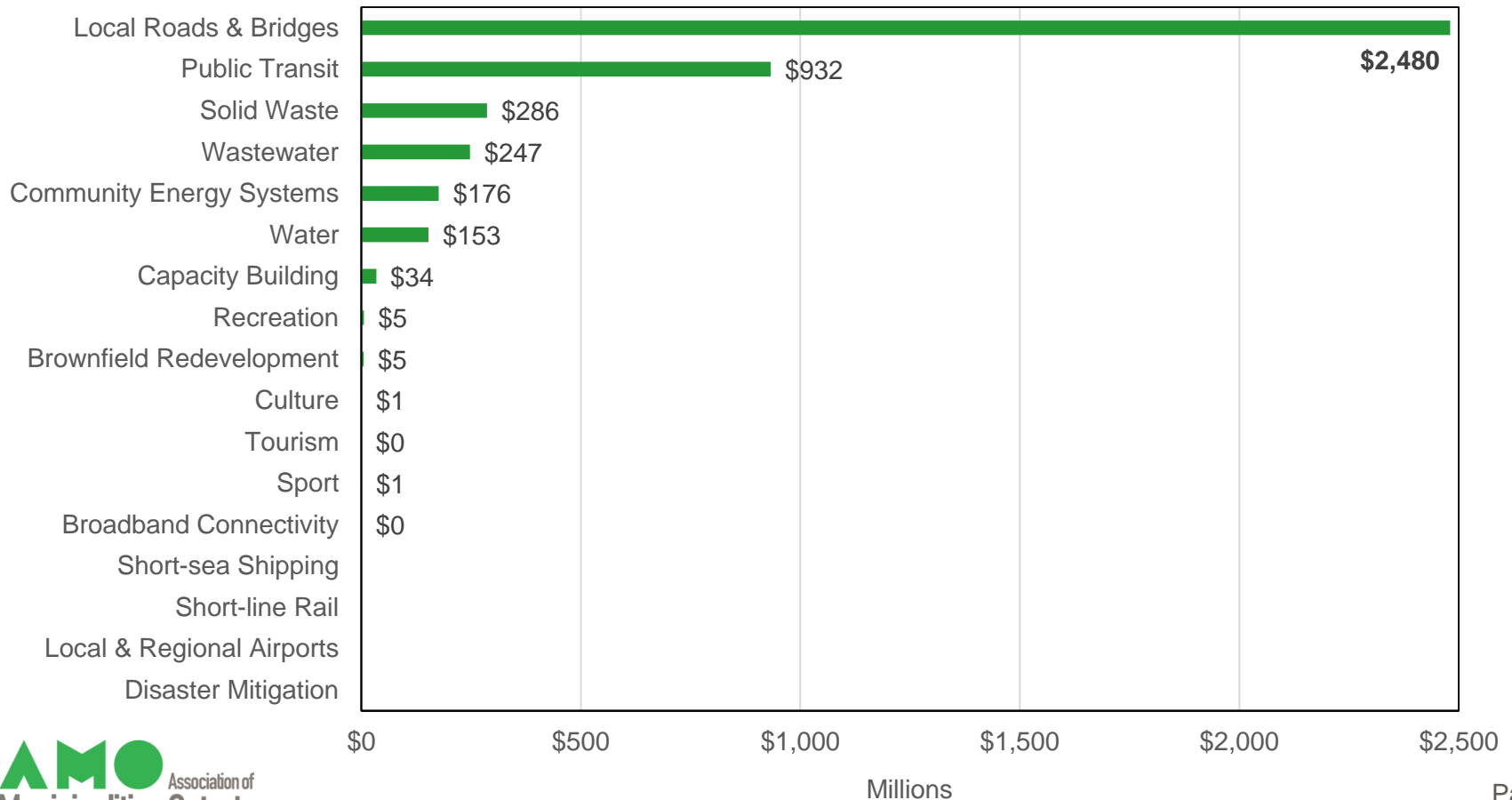
Productivity & Economic Growth	Clean Environment	Strong Cities & Communities
Local Roads and Bridges	Community Energy Systems	Capacity Building
Public Transit	Drinking Water	Disaster Mitigation
Local and Regional Airports	Wastewater	Recreational
Broadband Connectivity	Solid Waste	Cultural
Short–Sea Shipping	Brownfield Redevelopment	Tourism
Short–Line Rail		Sport

- 17 eligible project categories
 - 16 infrastructure categories – only capital expenditures eligible
 - Capacity building category

- Project outcomes required for 16 eligible infrastructure categories:
 - Volume of traffic
 - Transit ridership
 - Energy saved annually
 - Number of water main breaks

WHERE FUNDS HAVE BEEN INVESTED?

- \$5 Billion transferred to 443 municipalities since 2005
- \$4.3 Billion invested in around 6700 projects



ASSET MANAGEMENT PLAN REQUIREMENT

- Municipalities develop and implement an asset management plan by **December 31, 2016**
 - Over 95% of municipalities already have an asset management plan that captures core infrastructure
 - Improve existing asset management plans to include all infrastructure assets that are eligible for Gas Tax funding
 - If you own infrastructure in any eligible category, it should be included in your plan irrespective of whether you invest Gas Tax funds in that category
 - Must demonstrate progress for AMO to not withhold Gas Tax funds

CAPACITY BUILDING CATEGORY

- Gas Tax funds can be used to develop and implement asset management plans
- Eligible expenditures include:
 - Studies, strategies, or plans related to asset management
 - Software acquisition and implementation
 - Condition assessments
 - Staff training

ASSET MANAGEMENT OUTCOMES REQUIREMENT

- Municipalities:
 - Report on asset management outcomes
 - Identify and address priority projects using asset management plan
- AMO as administrator of Federal Gas Tax Fund:
 - Track and report municipal sector's progress on asset management to Canada
- Which indicators do municipalities report on to demonstrate progress?

DEVELOPING OUTCOMES: BASE LINE DATA

Roads and Bridges Study

- 93 municipalities; combination of financial and condition data
- One-third of the assets were in poor to very poor condition
- Assets with condition data are performing better than what their financial data suggests

Research on Capital Investments and Financial Sustainability

- Develop long-term financial strategies to help municipal governments implement their asset management plans
- Surveying municipalities that have contrasting fiscal challenges on capital investment needs, reserve contributions, debt, etc.

ASSET MANAGEMENT OUTCOMES WORKING GROUP

Proposed asset management outcomes:

- 1) Inclusion of more infrastructure assets
- 2) Better linkages between service levels and asset management
- 3) Improving data used to inform asset management plans
- 4) Embedding asset management within municipal operations
- 5) Effectiveness of financial strategies

ASSET MANAGEMENT OUTCOME REQUIREMENT

Starting with 2016 Gas Tax Reporting Cycle:

- Municipalities will annually report to AMO the percentage of infrastructure assets they own that are included in their asset management plan.
- Remaining 4 outcomes will be reviewed after provincial consultations on an asset management regulation under Bill 6
 - Infrastructure for Job and Prosperity Act, 2015

QUESTIONS?

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