

Canada's Gas Tax Fund: Permanent, predictable funding for municipal infrastructure

2012 Annual Expenditure Report (Part One)

Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities

Association of Municipalities of Ontario

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Letter from AMO President

The federal Gas Tax Fund provides communities across Canada with funding for municipal infrastructure. In Ontario, AMO takes pride in delivering the Fund through our unique administration model. The twice a year, per capita transfer of \$746 million is helpful for long-term planning because municipalities know what they will receive, and when they will receive it. Here in Ontario, it's up to municipal councils to set local priorities and invest in projects that will improve their communities.

This Report is the story of how communities across Ontario invested the Gas Tax Fund in 2012 and how those investments are leading to a better quality of life, improved environmental outcomes and increased economic growth.

Many communities have a long list of infrastructure improvements to make. Ontario is facing a province-wide infrastructure funding gap that will take more than \$6 billion each year, for the next 10 years, to close. Municipalities rely on the federal Gas Tax Fund as the only permanent source of funding available to meet community infrastructure needs.

Since the Fund's launch in 2005, Ontario municipalities have invested almost \$2.7 billion in federal Gas Tax funds into more than 4,500 infrastructure projects worth \$8.2 billion. These are big numbers, but it's the day to day local impact that matters most to Ontarians. Projects that receive Gas Tax funding are critical to our communities. Roads, bridges and transit systems are economic lifelines that connect people with places, and businesses with the goods and tools that they need to prosper. Water and wastewater infrastructure must be safe and reliable. Investing in community energy helps protect the environment and reduce energy costs.

All of these projects, and many more, serve as the foundation of Canada's long-term prosperity by making our communities great places to live, work and do business in. In the year ahead the government will be hard at work on a new Gas Tax Agreement and Ontario municipalities look forward to the ongoing, positive federal-municipal relationship that this will bring. We are proud of our success and the projects and communities profiled throughout this Report demonstrate that our partnership is working. We are proud to build communities where people can live prosperous, full lives and where businesses have the tools they need to succeed. A permanent Gas Tax Fund can do all this and more, and we look forward to the opportunities that are yet to come.

R.F. (Russ) Powers, AMO President

Transmittal Letter

September 30, 2013

AMO is pleased to provide the Annual Expenditure Report and Audit regarding the transfer of the federal Gas Tax Fund for the period of January 1, 2012 to December 31, 2012. This report fulfills the commitment that Ontario municipalities made to the Government of Canada and the Province of Ontario through the Ontario Agreement for the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities.

In 2012, municipalities invested over \$555 million from the federal Gas Tax Fund in local priority projects worth over \$4.5 billion. The Fund is flexible ensuring that local investments can be made when and where they are needed the most. Whether it is a recycling station in Red Lake or a new bridge in North Glengarry, the Fund is there to meet the individual needs found in all of Ontario's municipalities.

Municipalities appreciate the progress made through these investments, and are proud of the direct federal-municipal partnership that has made it happen. Federal funds and local decision making has enabled the construction of over 5,500 kilometres of roadways, the replacement of over 370 bridges and culverts, and the expansion of public transit, water, wastewater, solid waste and energy systems across the province. The local impact is clear, and this report demonstrates the progress we have made together.

This Report is presented in two parts. Part I provides a general overview of AMO's administration of the Fund in Ontario and total investments made by Ontario's municipalities. Part II provides compliance and Financial Audit statements, as well as details about every project in Ontario that benefited from the Gas Tax Fund in 2012.

The Gas Tax Fund is an excellent model of governments working together to improve the environment, create jobs and lay the foundation for long-term growth. We will continue to work with our federal partners for years to come, building safe, efficient communities and a strong and prosperous Canada.

Sincerely,

R.F. (Russ Powers), President

Pat Vanini, Executive Director

Introduction to Reports

This Annual Report constitutes AMO's required reporting commitments for 2012 under the Transfer of Federal Gas Tax Revenues in the New Deal for Cities and Communities¹. Part One of this Report provides a summary of how funding is being spent, its benefits to Ontario municipalities, and AMO's success in administering the program. Part Two provides detailed compliance and financial audit statements and a summary of every project underway in 2012.

AMO will distribute Part One of the 2012 Annual Expenditure Report to all municipalities. Given its size and the limited demand for distribution, Part Two is not printed. Both Part One and Part Two are available electronically on the [AMO Home Page](#) and the [Gas Tax at Work website](#).

About the Federal Gas Tax Fund

The federal Gas Tax Fund (GTF) provides municipalities with long-term, stable and predictable funding for environmentally sustainable infrastructure. Funding can be applied to infrastructure projects that achieve the program's goals of cleaner water, cleaner air, or reduced greenhouse gas emissions, or to planning projects that contribute to long-term sustainability.

Eligible project categories include public transit, water, wastewater, solid waste, community energy systems, capacity building and local roads and bridges where sustainability outcomes can be demonstrated.

The GTF currently transfers \$2 billion per year in federal funding to Canadian municipalities and commits, in total, \$13 billion over the nine-year period between 2005 and 2014. The Fund is now legislated as a permanent annual source of infrastructure funding for municipalities.

The Ontario Agreement

The flexibility of the Gas Tax Fund allows each province and territory to have its own agreement with the federal government. Under the Ontario Agreement (the Agreement), the entire provincial allocation flows directly to municipalities on a per capita basis without the need to fill out an application form. Allocations are distributed in two annual installments, which typically occur in July and November.

AMO administers Gas Tax Fund payments for all of Ontario's municipalities, except the City of Toronto which receives its funds directly from the federal government. The Province of Ontario administers the portion of the funding allocated to unincorporated areas but has no role in the delivery of funding administered by AMO. This arrangement is unique to Ontario. It recognizes municipalities as a duly elected, mature and accountable order of government.

¹ Consistent with the terms of the Agreements, AMO does not provide comment on the compliance of the City of Toronto. The City of Toronto completes its own reporting requirements.

The federal Gas Tax Fund in Ontario is upfront, predictable and stable. Funding allocations are known in advance, which allows municipal councils to identify local needs, fund priority projects and plan for the future. Municipalities may use funds:

- Towards the full cost of a project;
- To support a project that benefits from other funding sources;
- To bank revenue up to three years, for future projects;
- To finance long-term debt for eligible projects, and;
- To accrue interest on revenue, which can then be applied toward the administrative costs of implementing the Agreement or towards eligible projects.

In total, Ontario municipalities will receive \$4.9 billion over a nine-year period (2005-2014). AMO will facilitate the distribution of approximately \$3.8 billion of this. The annual allocation that each municipality receives is contained in Part II of this report which is available on the [AMO website](#).

2012 Oversight Committee

Pat Vanini, Executive Director, Association of Municipalities of Ontario

Monika Turner, Director of Policy, Association of Municipalities of Ontario

Janet Mason, Assistant Deputy Minister, Local Government and Planning Policy Division, Ontario Ministry of Municipal Affairs and Housing (Observer)

Diane McArthur-Rodgers, Director (Acting), Intergovernmental Relations and Partnerships, Ontario Ministry of Municipal Affairs and Housing (Observer)

Josie Lavita, Director, Financial Planning, City of Toronto

Peter Notaro, Director, Corporate Intergovernmental and Agency Relations, City of Toronto (Co-chair)

Natasha Rascanin, Assistant Deputy Minister, Program Operations Branch, Infrastructure Canada

Deryck Trehearne, Director General – North/Atlantic/Ontario, Program Operations Branch, Infrastructure Canada

Compliance

A compliance audit for the year ended December 31, 2012, completed by Grant Thornton LLP, confirms that AMO has fulfilled the terms set out in the Agreement for the Transfer of Federal Gas Tax revenues under The New Deal for Cities and Communities.

Canada's Gas Tax Fund

Overview of 2012 Investments

Investment helps meet municipal infrastructure needs

At the time of printing, 99 per cent of municipalities had completed online reporting to AMO. Since the launch of the federal Gas Tax Fund in 2005, almost \$2.7 billion in federal funds have been invested in 4,500 infrastructure projects across Ontario worth \$8.2 billion. Of this, \$555 million was invested in 2012.

Ontario's infrastructure is under pressure and the permanent, predictable Gas Tax Fund is integral to meeting this critical need. Much of our infrastructure was first built in the 1950s and 1960s and is now deteriorating, requiring modern upgrades or replacement. A growing population is also increasing the burden and fueling demand for new investments.

According to the joint Provincial-Municipal Fiscal Service Delivery Review², municipalities in Ontario face an infrastructure gap of more than \$60 billion over ten years, with roads and bridges making up almost half of this amount.

Ten Year Infrastructure Gap in Ontario Municipalities

- \$1 billion gap in solid waste
- \$6.8 billion gap in stormwater
- \$10.7 billion gap in transit
- \$12.6 billion gap in water and wastewater
- \$28 billion gap in local roads and bridges

The true gap is even larger, as this assessment does not include critical municipal infrastructure such as recreation and social housing. Social housing alone has an additional deficit of \$1.2 billion, with a total replacement cost of over \$40 billion. The gap between the current state of our infrastructure, and the state it should be in to meet current and long-term needs is present in all of our municipalities. Those with high levels of asset ownership and declining revenues feel the most pressure.

It is clear that no order of government can tackle this challenge alone. That is why Ontario's municipalities welcome a new Federal Long-term Infrastructure Plan and continued partnership with the Government of Canada. A new plan will invest in our communities to ensure that jobs are created in the short term and that there is a strong foundation for long-term prosperity. Municipal infrastructure provides the foundation for economic activity. For example, municipal roads and bridges help businesses take their products to market, transit systems ferry people to their jobs, and critical water, wastewater and solid waste systems that provide the basics necessary for all to succeed.

Municipalities also provide quality of life infrastructure such as arenas, libraries and recreation facilities that attract and retain the skilled workers that are needed to attract business. Municipal

² The Provincial-Municipal Fiscal Service Delivery Review (PMFSDR) was completed in 2008. More information is available on the [AMO website](#).

infrastructure also ensures a productive society by providing basics such as social housing. Housing gives people the stability they need to participate in the economy.

Municipalities own most of Ontario's public infrastructure but receive only 9 cents out of every tax dollar collected by governments. Intergovernmental partnerships can help accelerate the building of local infrastructure, and investments from all orders of government are needed to create strong local economies that contribute to a strong and sustainable Canada.

In the face of this challenge, federal Gas Tax investments have been a crucial long-term, stable and predictable source of funding. Municipalities in Ontario have consistently directed a majority of Canada's Gas Tax Funds to local roads and bridges which is the largest class of infrastructure in need of investment. In 2012, road and bridge projects received 56 per cent of total municipal spending and cumulatively, they account for 53 per cent of total spending since 2005.

2012 Gas Tax Fund Investments by Eligible Project Category

- \$4.49 million invested in capacity building projects
- \$20.11 million invested in water infrastructure
- \$21.28 million invested in wastewater infrastructure
- \$22.25 million invested in community energy systems
- \$80.81 million invested in solid waste infrastructure
- \$96.60 million invested in public transit projects
- \$309.98 million invested in local road and bridge infrastructure

While this is the case, the need in Ontario's municipalities is broad and deep. This is reflected in the rest of the spending data which shows investments spread out over the remaining eligible categories of the Gas Tax Fund. The wide variety of spending speaks to the diversity of municipalities which vary considerably in their infrastructure needs due to differences in asset conditions, geography, and population. A key strength of Canada's Gas Tax Fund is its flexibility which allows it to meet the diverse needs found across the province.

As part of the annual reporting process, municipalities are also required to provide the total project cost for gas tax funded projects. Due to the size of the gas tax investments, roads and bridges and public transit have the largest project values among the seven eligible categories.

2012 Total Project Costs

- Total capacity building project costs of \$29.5 million
- Total water project costs of \$193.76 million
- Total community energy systems project costs of \$377.76 million
- Total wastewater project costs of \$410.81 million
- Total solid waste project costs of \$414.58 million
- Total public transit project costs of \$965.98 million
- Total local road and bridge project costs of \$2,129.49 million

This information is updated on an annual basis and allows AMO to calculate the funding leveraged in each category. For every \$1 of federal Gas Tax Funds used since 2005, municipalities have invested an additional \$2.05 from all other sources. This amount varies from category to category with water, wastewater, and community energy leading the way.

Spending Leveraged from 2005 – 2012. For every \$1 in Gas Tax Funds:

- \$1.16 was invested into capacity building projects
- \$1.67 was invested into local roads and bridges
- \$1.73 was invested into solid waste infrastructure
- \$2.27 was invested into public transit projects
- \$2.48 was invested into water infrastructure
- \$3.43 was invested into wastewater infrastructure
- \$4.19 was invested into community energy systems

In total, for every \$1 in Gas Tax Funds, \$2.06 was invested into local infrastructure

The amount leveraged shows that municipalities invest more dollars when they are investing in local priority projects. However, it also highlights that municipalities are limited in what they can invest in. In the case of the community energy category, Gas Tax funds are primarily invested into buildings, either new or old, which are costly to build and maintain. In these cases, components related to energy efficiency are the only eligible costs that qualify for Gas Tax funding.

Municipalities are reporting the need for additional flexibility in the Gas Tax Fund, so that they can fully invest in buildings such as arenas, libraries and recreation facilities that are ageing or are inadequate due to population growth.

Federal Flexibility, Local Action

Since 2005, municipalities in Ontario have capitalized on the flexibility provided through the federal Gas Tax Fund. In addition to investing in all seven eligible categories, there are a number of additional features that allow municipalities to take advantage of local expertise and enhance the impact of federal funding in our communities.

Long-term Funding for Long-term Projects

The Gas Tax Fund provides municipalities with long-term funding that is predictable and stable. Funding is transferred upfront, and reporting is done after the fact. Unlike traditional application based programs, municipalities are not competing with their neighbours, waiting for approvals, or sending in their receipts.

Since 2005, municipalities have relied on these features to plan ahead. When local representatives know the funding that will be available to them, they can ensure that it goes where it is needed the most. Many communities have decided to save for larger projects, or direct gas tax funds to projects that are already underway.

According to reporting received by AMO, more than 1,400 projects have received Gas Tax funds over a period of two years or more. This represents approximately 26 per cent of all projects undertaken to date. The average length of Gas Tax funding for these projects is two and a half years.

Many of these projects continue to receive Gas Tax funds because municipalities have borrowed to complete them. The ability of the Gas Tax Fund to support municipal debt and debt financing has meant financial flexibility. According to data submitted by 37 municipalities, over \$120 million dollars has been debt financed thanks to the Gas Tax Fund since 2005. By borrowing based on funding that has yet to be received, local officials can ensure that critical projects go forward without the need to wait.

Long-term Projects in the North

Many of the long-term projects that are receiving Gas Tax funds are in small municipalities in Northern Ontario. Construction on many of these projects have already been completed, but municipalities are able to effectively manage their finances thanks to the federal Gas Tax Fund.

City of Dryden – Wabigoon Drive Lift Station

The City constructed this new sewage lift station to assist with the additional capacity needed to serve the residential area built up over the last 20 years. Prior to construction, periods of heavy rain would result in severe flooding and sewer back-ups into homes in two subdivisions. Over \$2.7 million in Gas Tax funds have been used for this project since 2006, covering a majority of the \$3.8 million total project cost. Project financing is ongoing.

Town of Parry Sound – Wastewater Plant Rebuild

Achieving substantial completion in 2010, the Parry Sound Wastewater Plant Rebuild has benefitted from over \$1.7 million from the federal Gas Tax Fund. The \$16.3 million project has received Gas Tax funds in seven of the last eight years and the Town plans to continue to use a portion of their allocation into the foreseeable future to assist in paying down the debt financing incurred for the project. The upgraded plant will meet new federal Wastewater System Effluent Regulations and result in a cleaner Georgian Bay, which is critical to the Town's environment and economy. The plant serves 1,908 residential and 394 commercial connections, and can accommodate more as the local economy grows. The Gas Tax Fund has allowed the

Town to finance these upgrades and provide wastewater services in a sustainable manner that sets the foundation for long-term growth.

Township of Chapleau – Monk Street Reconstruction

The reconstruction of Monk Street and the replacement of sub-surface infrastructure was completed in 2010. The project brought new water mains, sanitary and storm sewers, and a freshly paved roadway. As the only roadway leading into the community, Monk Street is a vital piece of infrastructure for residents and businesses alike. More than 1,500 vehicles travel on it daily, with approximately 15 per cent of this being heavy truck traffic.

The roadway supports all business activity in the Township through the movement of goods and labour, and is the access road for local firms to receive key items such as fuel. The road also serves as a critical link in the local forestry supply chain as it connects the local mill with other industry participants, such as pulp and paper producers, which need its outputs and byproducts. Gas Tax funds have been allocated until 2014 to service a portion of the debt from this project. This \$2.4 million project has benefitted from over \$430,000 in federal Gas Tax funds to date.

Taking Gas Tax Funds to the Bank: Leveraging through Investments

Municipalities can carry over their Gas Tax funding for up to three years. This means that funding received in a particular year can be saved in an interest bearing reserve account, allowing municipalities to earn more money to be used in infrastructure. Interest can also be used to offset costs of administering their Gas Tax Municipal Funding Agreement. Generally, any funds earned in this manner are treated the same way as Gas Tax payments, and their use is governed by the terms and conditions of the Municipal Funding Agreement.

In Ontario, municipalities invest funds as per the *Municipal Act, 2001* and its regulations. A Treasurer is a statutory position in Ontario, and these municipal finance officers use the investment framework and their expertise to ensure that investments have optimal returns while being pragmatic and sensitive to risk.

Since 2005, municipalities have earned more than \$61 million in interest from Gas Tax funds. \$2 million of these additional funds has been put towards administration costs, and the balance of \$59 million is available for investment in infrastructure. The flexibility to save has increased the impact of federal funds in our communities.

While municipalities have taken advantage of this provision of the Agreement, AMO has identified this as an opportunity for growth. In 2012, AMO started developing a program that will give municipalities the option to automatically direct their Gas Tax payments into the One Investment Program which is jointly operated by Local Authority Services Ltd. (LAS), a subsidiary of the Association of Municipalities of Ontario (AMO), and CHUMS, a subsidiary of the Municipal Finance Officers Association of Ontario (MFOA).

The program is a co-mingled investment initiative that allows municipalities and their agencies, boards and commissions to jointly invest funds in investment portfolios that are managed by professional portfolio managers. The co-mingling of funds and professional management is designed to reduce investment risk and maximize investment returns based on municipal needs.

Given this in-house expertise, there is an opportunity to leverage both AMO's administration of the Gas Tax funds and LAS' involvement in the One Investment Program to enable municipalities to enhance returns on Gas Tax funds carried over from year to year. This would

maximize federal dollars and provide municipalities with additional finances for investment in municipal infrastructure. Work on this initiative is ongoing and implementation is expected in 2014 when municipalities will be receiving a new Gas Tax Agreement.

Investing for the future: The Municipality of Wawa

Located in Northwestern Ontario, the Municipality of Wawa receives an annual allocation of \$196,565.40 from the federal Gas Tax Fund. With a population of 2,975, the Municipality has a small assessment base and relies on innovative practices to raise revenues and meet the needs of its citizens.

As such, the Municipality invested approximately \$367,000 of their Gas Tax funds into the One Investment Program Money Market Portfolio in late 2009. Up to February 2012, this investment earned them more than \$12,500, resulting in more money available to invest in infrastructure.

This is equivalent to 0.3 per cent of their total own source taxation revenue, which is a meaningful impact for the community. For example, this amount is equivalent to half of the municipality's investments in bridges and culverts in 2010.

Increasing the Impact of Federal Funds

As a new Gas Tax Agreement will be signed in 2014, municipalities are looking forward to having more flexibility that will allow them to further increase the impact of federal funding at the local level. Increased flexibility will allow them to save for larger projects, further increase the amount leveraged through debt or by investment, and ensure overall better utilization of federal funds.

Specifically, municipalities have noted that expanding the list of eligible categories, changing category limitations (which exist for larger municipalities) and an easing of incrementality requirements will enhance flexibility and improve their ability to invest in local priority projects. Flexibility will also help to support work already underway. Municipalities in Ontario are in the process of completing comprehensive Asset Management Plans which will ensure the best decision making for infrastructure investments.

Outcomes Report

As per the national performance framework developed by Infrastructure Canada, municipalities report on core indicators that have a direct impact on the national environmental objectives of cleaner air, cleaner water and reduced greenhouse gas emissions. Municipal reporting occurs on a project by project basis.

AMO released its inaugural outcomes report on September 30, 2009, as required by the Gas Tax Agreement, which included projects that had been completed at the end of 2008. Outcomes for projects completed since then have been included in AMO's Annual Expenditure Reports.

Reporting completed in 2012 (Appendix) shows that Gas Tax Fund investments are making a difference by contributing to sustainability in communities across Ontario and helping to achieve the program's goals of cleaner air, cleaner water and reduced greenhouse gas emissions.

Since the Fund was launched in 2005, Ontario municipalities have completed more than 3,700 Gas Tax projects that have resulted in:

- Improvements to over 5,500 km of road and 373 rehabilitated or replaced bridges and culverts.
- The purchase of 316 new conventional transit buses.
- 308 km of new, improved or rehabilitated bike lanes, trails and sidewalks.
- Diversion of over 114,000 tonnes of waste from Ontario landfills.
- 160,000 metres of new and rehabilitated water, storm and wastewater pipes.
- Expansion of composting programs to 610,000 more households.
- A decrease in Ontario's annual energy demand by almost 18.2 million kilowatt hours – enough to power 1,750 average Ontario homes for a full year.

Audit Requirements

AMO's Compliance Audit reflects the Association's own compliance with the terms and conditions of the Agreement as of December 31, 2012. As per the terms of the Agreement, this was submitted to the Government of Canada in Part Two of this report.

Municipal Recipient Audit Requirements

When project spending occurs, AMO requires municipalities, through the Municipal Funding Agreement (MFA), to submit an annual audit statement prepared by the municipality's auditor in accordance with section 5815 of the Canadian Institute of Chartered Accountants Handbook – Special Reports – Audit Reports on Compliance With Agreements, Statutes and Regulations, providing assurance that the terms have been adhered to and funds received by the municipality have been spent in accordance with the MFA.

Municipalities that spend no Gas Tax funds in a reporting year are eligible to submit a Treasurer's Certificate rather than undergo a costly audit. This change was implemented in 2010 under the extension to the Ontario Agreement, in order to reduce municipal costs of administering the Fund.

In 2012, 63 municipalities were eligible to take advantage of this provision. This will free up approximately \$95,000 for more investments in local infrastructure projects. More than two-thirds of these municipalities have a population of less than 5,000. This amendment underlines the fact that municipalities are mature and accountable, and reinforces the principle of flexibility as outlined in the original Gas Tax Agreement.

None of the municipal annual audit statements have identified material non-compliance. This marks the eighth consecutive year of fully compliant audits by municipal governments, demonstrating the accountability of municipalities and the effectiveness of AMO's program delivery. At the time of printing, 99 per cent³ of municipalities had submitted the annual audit statement or Treasurer's Certificate as required by the MFA.

³ AMO is working with the outstanding municipalities to obtain the required information. All impacted municipalities will have their first installment for 2013 withheld as per section 12.1a of the MFA until the Annual Audit Statement of Treasurer's Certificate is received.

Eligible Recipient Requirements

Under the terms and conditions of the Fund, municipalities must show progress toward development of a Capital Investment Plan (CIP) and an Integrated Community Sustainability Plan (ICSP).

Capital Investment Plan

Under the Gas Tax Agreement, municipalities must meet three Capital Investment Plan Requirements – they must be Public Sector Accounting Board (PSAB)⁴ compliant, show progress toward developing a multi-year Capital Budget based on lifecycle costing and show progress toward developing a full Asset Management Plan that integrates both operating and capital costs.

Municipalities completed reporting on this requirement of the Municipal Funding Agreement in 2010. The results of this were included in AMO's 2010 Annual Expenditure Report. While reporting on the Capital Investment Plan requirements of the Gas Tax Fund have been completed, the work within municipal governments continues.

2012 marked a new milestone in Capital Investment Planning and Asset Management in Ontario's municipalities due to the Province's new *Municipal Investment Strategy*. A cornerstone of the strategy is the creation of detailed municipal asset management plans which will now be required in order to seek provincial funding for infrastructure.

According to the Province, "good asset management is essential for all orders of government. It results in informed and strategically sound decisions that optimize investments, better manage risk – including the risk of infrastructure failure – and take into account the potential impact of other factors, such as climate change (e.g., damage due to extreme weather)."⁵

In the rollout of this strategy, the Province noted that this would build on work that was in progress, and acknowledged that some of the barriers impeding progress would have to be addressed. This includes limited human resources, budgetary/financial constraints and a lack of local expertise.

In response, they released *Building Together: Guide to Municipal Asset Management Plans*, provided an online Asset Management toolkit, encouraged collaboration between municipalities and external partners, and provided \$8.25 million to 350 small, rural and northern municipal governments to get this work started. In addition, \$750,000 was provided to service managers to assist in asset management of social housing, which is a municipal responsibility in this province.

Throughout 2012, municipalities were made aware that they could supplement this source of funding with the federal Gas Tax Fund. Since 2005, the GTF has supported Ontario's municipalities in this capacity by funding work that contributes to asset management. This has

⁴ Municipalities are required through provincial direction to maintain their books in accordance with Public Sector Accounting (PSAB) standards. PSAB has issued accounting standards supported by the province that have resulted in Ontario municipalities accounting for tangible capital assets on their financial statements starting January 1, 2009.

⁵ Building Together: Guide for Municipal Asset Management Plans, 2012. Queens Printer for Ontario.

included a wide range of projects such as condition assessments, modeling and accounting software upgrades, master plans, and even technology to monitor assets in real time.

Work is ongoing, and AMO expects it to increase in the coming years. Due to its flexibility, the federal Gas Tax Fund will continue to respond to the infrastructure needs of local governments in Ontario even as those needs evolve and change.

Integrated Community Sustainability Plan

Under the Gas Tax Fund, municipalities must complete an Integrated Community Sustainability Plan. The ICSP must demonstrate a co-ordinated approach to sustainability in terms of social, cultural, environmental and economic objectives through co-operation with municipal partners and the community as a whole. In Ontario, municipalities that have an Official Plan (OP) are deemed to have met this requirement.

Municipalities completed reporting on this requirement of the Municipal Funding Agreement in 2010 and the results were included in AMO's 2010 Annual Expenditure Report. In 2012 a number of municipalities continued to develop and implement Integrated Community Sustainability Plans.

AMO continues to promote ICSP development and implementation through ongoing support and the *Sustainability Planning Toolkit for Municipalities in Ontario*. Federal support also allowed AMO to launch *Leading for Sustainability*, a councillor training module designed to encourage vision, leadership and collaboration as a foundation of sustainability. This training module is now a permanent part of AMO's education roster and is provided to municipalities on an ongoing basis. One time federal support to develop and implement the course will have lasting benefits throughout the province.

Our direct municipal-federal partnership has demonstrated the power of the federal Gas Tax Fund. The Ontario Agreement continues to respond to the local need to learn more about sustainability. More knowledge at the municipal level leads to a clear advancement in the sustainability objectives of the Gas Tax Agreement. As the Fund expands and evolves into a permanent program, AMO looks forward to continuing our positive and co-operative relationship with Infrastructure Canada to further enhance its long lasting positive outcomes.

Evaluation

As required by the Agreement, an AMO-Canada joint-evaluation, and a National evaluation on the administration and delivery of the Gas Tax Fund were completed in 2009. Both reported positive results.

Among the changes recommended was a move to a risk based audit framework, which has already been implemented in other parts of the country. A risk based framework can reduce costs by adding thresholds for when an audit is required. Municipalities in Ontario are low risk, and have demonstrated transparency and accountability by meeting Gas Tax program requirements since 2005. In Ontario, municipalities consistently report out to the public on provincially mandated financial reporting which includes audits.

AMO as administrator will continue to work with the other signatories to the Agreement (Canada, Ontario and Toronto) in order to improve program delivery of the Gas Tax Fund.

Permanency

Municipalities in Ontario are thankful that the Gas Tax Fund is now legislated as a permanent federal transfer for municipal infrastructure. This will be implemented through new agreements which will take the Fund beyond 2014. Municipalities are looking forward to starting this process soon, in order to ensure that the transition is seamless, and that investments can continue to be made into our communities.

Communications Initiatives

Communications is recognized as a key component of a successful revenue sharing agreement between municipalities and the federal government. As prior approval is not necessary for Gas Tax projects, municipalities take the lead on communicating the local benefits of the federal Gas Tax Fund.

The communications protocol is supported by Infrastructure Canada which creates media products and ensures federal representation at media events. AMO promotes communications and acts as a liaison to co-ordinate and facilitate this work. AMO also promotes the Fund at the provincial level.

Municipalities, AMO and Infrastructure Canada routinely work together to ensure the Fund remains accountable and transparent and that Canadians are aware of its positive impact in their communities. For example, an AMO/Infrastructure Canada staff working group meets weekly to share information and assess potential communications opportunities.

A total of 22 local events and/or news releases were held throughout Ontario in 2012. In addition, AMO issued three news releases to announce Gas Tax Award Winners.

Municipal Gas Tax communications activities in 2012

January 21, City of Hamilton – New Parkdale Avenue Bridge
January 1, Municipality of Wawa – Solar Rooftops
March 16, City of Cambridge – Technology Enhancements for Asset Management
April 27, Town of Milton – Main Street Underpass Groundbreaking
May 10, Township of Oro-Medonte – Rehabilitation of Four Local Roads
May 18, City of Pickering – Completion of Road and Community Energy Projects
May 24, Township of Adjala Tosorontio – Road Improvements in Glencairn
June 12, Loyalist Township – Completion of Denyes and Union Factory Bridges
June 20, Township of Black-River Matheson – Energy Efficiency in Matheson Sewage Treatment Plant
June 26, Township of Iroquois Falls – Abitibi Lift Station Upgrades
July 3, Town of Ramara – Solar Rooftops
July 5, Township of South Huron – Groundbreaking on Goshen Line Bridge Replacement
July 18, Township of Muskoka Lakes – Improvement of Local Roads
September 2, Town of Cochrane – New Recycling Transfer Station
September 4, City of Hamilton – 41 New Public Transit Buses
September 25, Township of Georgian Bay – Completion of Road Improvements
September 28, Township of South Frontenac – New Municipal Facilities
October 9, City of London – Improved Roads and New Bike Lanes
October 13, Region of Halton – Dundas Street Improvements
October 18, Township of North Grenville – Hurd Street Bridge Reconstruction

November 12, City of Vaughan – New Fire Station 7-10
November 16, Township of Douro-Dummer – Solar Panels

Municipal Outreach

Beyond direct communications support, AMO also widely promotes the Gas Tax Fund through its weekly e-newsletter, the AMO Watch File, and at no-cost Town Hall sessions. In 2012, Gas Tax information was posted in the AMO Watch File seven times. This information is sent to over 6,000 subscribers including all of Ontario's municipal leaders (both elected officials and senior staff). The most promoted topic was the AMO Gas Tax Awards, and the most clicked on item was a notice about the passing of Bill C-13 which made the Gas Tax Fund permanent. During the calendar year, AMO also hosted five Town Hall sessions throughout the province with attendees from 60 municipalities (14 per cent of all AMO administered recipients):

County of Oxford / City of Woodstock, March 15, 17 people registered
Loyalist Township, March 28, 26 people registered
County of Simcoe / City of Barrie, April 5, 29 people registered
City of Thunder Bay, April 12, 8 people registered
Municipality of Markstay-Warren, April 26, 12 people registered

Each provided municipal staff and councillors with an update on AMO's programs and services, including information about the federal Gas Tax Fund. These sessions highlight the Fund, its terms and conditions, and opportunities that can increase its impact. In 2012, the sessions included a focus on the need to plan for the long-term and how municipalities could communicate the benefits of Canada's Gas Tax Fund at the local level.

Municipal Toolkit

AMO's municipal communications toolkit contains key messages, templates and other information designed to support communications opportunities. These materials are developed in partnership with Infrastructure Canada. Approved in mid-2012, an update has now been posted to a password protected section of the AMO website for all municipalities to access.

Social Media

Launched in 2011, the Gas Tax in Ontario Twitter account was the first to bring the federal Gas Tax Fund to an audience on social media. As a result, AMO has been able to engage municipalities, federal MPs, stakeholders and the general public on how the Fund is at work in their communities.

This best practice was shared with other provinces and territories during a National Gas Tax Workshop. Since then, other administrators (such as the Province of Saskatchewan and the Union of British Columbia Municipalities (UBCM)) have begun using social media to promote the Fund.

The rollout in Ontario was conducted based on a social media plan which ensures accountability and performance. Figure 6 shows the results of Key Performance Indicators for 2012 as well as cumulative results since the social media strategy was launched.

2012 Social Media Performance Indicators

Indicator: Increase in website traffic to www.gastaxatwork.ca. In 2012 there was a 26% increase over 2011. There has been a 58% increase over 2010 benchmark

Indicator: Increase awareness of the Gas Tax Fund within Ontario. Since 2012 there are 241 new Twitter followers and the Gas Tax Twitter account has been included in eight new lists. Since 2010 there are 402 new Twitter followers and the Gas Tax Twitter account has been included in 19 lists.

Indicator: Engage with primary and secondary audiences. In 2012 the Gas Tax Twitter account had 140 re-tweets, mentions, replies and direct messages. Since 2010, the Gas Tax Twitter account has had 226 re-tweets, mentions, replies and direct messages.

Indicator: Engage Ontario's municipalities. In 2012 the Gas Tax Twitter account had 17 contacts with municipalities including staff, councillors, official accounts. Since 2010, the Gas Tax Twitter account has made 43 contacts with municipalities including staff councillors and official accounts.

AMO continues to explore new and innovative ways to promote the fund using social media. We continue to strive for positive outcomes based on outreach and visibility. In 2012, work started on a new communications strategy for Ontario which was based on social media friendly products such as infographics, photography and video that can be shared through existing channels. This work will occur concurrently with traditional communications efforts noted above.

Tweets from @GasTaxInOntario

@City_of_Vaughan Gas Tax Funded Fire Station 7-10 receives LEED Gold Certification
<http://bit.ly/1c9jKGr> #cdnmuni #onmuni via @DCN_Canada

Have you seen our refreshed website? Click to map Gas Tax Fund investments in your community - <http://bit.ly/J3z2m9> #onmuni #cdnmuni

@regionofpeel accessible transit service has increased ridership by over 150% thx to expansion supported in part by gas tax funds #AMO2013

ATTN all Ontario Municipalities: Apply today for an AMO Gas Tax Award! <http://bit.ly/10QMQFd>
#onmuni #infrastructure #cdnmuni #gastaxatwork

John Counter Blvd in @CityofKingston completed thanks to Canada's Gas Tax Fund:
<http://bit.ly/13BOpGD> #cdnpoli #cdnmuni #ygc

@INFC_eng See how the #GoC supports today's #infrastructure across #Canada <http://infc.gc.ca/b12f>

@MayorDoug and @BevShipleymP celebrate Canada's Gas Tax Fund at work on Symes St in #Glencoe <http://bit.ly/1aV8ih7> #cdnmuni #Middlesex

Bill C-60, which indexes the Gas Tax Fund, is currently at third reading in @SenateCA #cdnpoli #cdnmuni

@SusanTruppe Pleased to announce a \$10 million federal Gas Tax investment for infrastructure improvements in London! <http://www.susantruppemp.ca/?p=2366> #LdnOnt

@DavidSweetMP 41 new hybrid buses rolling into #HamOnt - will reduce ghg emissions + improve air quality-read all about it here <http://is.gd/HEZcda> #adfw

Gas Tax at Work

A dedicated source of information for the Gas Tax Fund in Ontario, *Gas Tax at Work* provides an interactive way to map and view investments in communities across Ontario. The site provides increased accountability and transparency by sharing the local outcomes of federal funding. AMO updates *Gas Tax at Work* once a month.

Since its launch, the *Gas Tax at Work* website has drawn more than 4,100 unique visitors and 6,600 total visits⁸ from around the world. Included in this count are public servants and elected officials from the federal government, media, and members of the general public.

Recently, AMO refreshed the website to demonstrate the impact of the Fund in our local communities and the benefits it provides. The new design will also support the new communications strategy that focuses on social media.

Gas Tax Awards

The AMO Gas Tax Awards celebrate excellence in the use of Canada's Gas Tax Fund. Winning projects help achieve the Fund's environmental objectives of cleaner water, cleaner air or reduced greenhouse gas emissions. Winning projects also have wide ranging benefits to the community, address a local need, and demonstrate long-term planning.

Awards were presented by AMO President Russ Powers and the Honourable Greg Rickford, Minister of State (Science & Technology and Federal Economic Development Initiative for Northern Ontario), at the 2013 AMO Annual Conference in Ottawa.

Winning Projects:

- The City of Port Colborne's Vale Health & Wellness Centre
- The Town of Richmond Hill's Oak Ridges Community Centre
- The City of Barrie's Storm Water Asset Management Plan

Vale Health & Wellness Centre is improving quality of life in the City of Port Colborne

Category: Population 10,000 to 75,000

The Vale Health & Wellness Community Centre includes two NHL sized ice rinks, a double gymnasium, a lap and therapeutic pool, fitness area, walking track and bocce facility. The 145-thousand square foot facility is the City's first true community centre. A \$1 million contribution from Canada's Gas Tax Fund helped the City meet LEED Silver certification by reducing the Centre's environmental impact during and after construction through the use of recycled materials and components that contribute to ongoing energy and water efficiency.

The impact of this project goes beyond the environment since it helps improve the City's social fabric. It has quickly become a gathering place for social activities, particularly for senior citizens. The YMCA has also experienced tremendous growth thanks to the new facility, thus improving community health and wellness activities. Finally, the City benefits from an optimized facility that has a positive impact financially and economically. The new Health & Wellness Centre is expected to employ approximately 60 people and replaces two arenas and an indoor pool which had reached the end of their useful lives.

The facility's sustainability components are expected to reduce on-going operating costs, and the City's use of reserve funds means that the Centre is fully paid off. Through this investment, Canada's Gas Tax Fund is contributing positively to the environment, people and local economy of the City of Port Colborne.

Vance Badawey, Mayor of Port Colborne said: "The City of Port Colborne is pleased to be the recipient of the AMO Gas Tax Award. We worked extremely hard alongside our Community Committee and designers to achieve (LEED) Silver certification, ensuring an energy and environmental design that will contribute sustainable efficiencies."

Tweet from the Gas Tax in Ontario Twitter account:

@GasTaxinOntario: Gas Tax Award for Vale Centre in @portcolborne
<http://www.wellandtribune.ca/2013/08/25/awardfor-vale-centre> ...via @WellandTribune
#AMO2013 #infrastructure #cdnmuni #onmuni

The federal Gas Tax Fund helps build the Town of Richmond Hill's first LEED building

Category: Population over 75,000

The new Oak Ridges Community Centre serves a growing population and ensures that the Town of Richmond Hill continues to meet the infrastructure needs for its citizens. A \$2.4 million investment of Canada's Gas Tax Fund allowed the Town to build the \$26.6 million facility to a LEED Silver standard (awaiting certification) ensuring wise management of resources through environmental sustainability. It is the Town's first LEED building.

The 60-thousand square foot facility incorporates a number of green features including use of local wood and stone, energy efficient components and controls, improved stormwater management, and reflective and green roof areas to reduce heat island effects. The facility is expected to reduce water usage by 40 per cent and improve energy efficiency by 25 per cent. The facility was built with 'environment first' principles and is located on the shore of Lake Wilcox, a beautiful natural area that promotes the Oak Ridges Moraine and Richmond Hill Watersheds.

Canada's Gas Tax Fund and its flexibility allowed the Town to invest in energy efficient components while meeting the quality of life needs of its citizens. Investments in these types of facilities help to attract and retain skilled and educated residents, making Richmond Hill one of Canada's best places to live and a smart place for business.

Dave Barrow, Mayor of Richmond Hill said: "We are proud to have received the AMO Gas Tax Award for our very popular Oak Ridges Community Centre. This facility has many important and unique environmental features that demonstrate our commitment to respecting the natural environment.

Tweet from the Town of Richmond Hill:

@myRichmond Hill: RT @GasTaxInOntario: @myRichmondHill wins our first Gas Tax Award for the Oak Ridges Community Centre! #AMO2013 #CDNmuni

The City of Barrie is planning for the long-term with its Storm Water Asset Management Plan

Category: Capacity Building

The City of Barrie invested \$100,000 from Canada's Gas Tax Fund into the development of a Storm Water Asset Management Plan. By collecting information about each asset and performing condition assessments and risk analysis, the City is improving the management of its 91 storm water management facilities. City staff use the Plan as a guide to improve decision making and make sure that the full potential of these assets are realized, both financially and economically.

The Asset Management Plan has identified that the City's storm water assets have a replacement cost of \$33 million and will require investments of \$1.67 million each and every year to maintain and replace. This is in addition to the backlog of work which alone is valued at \$3.58 million. Beyond highlighting the financial need, the Plan allows the City to evaluate investments based on risk exposure and desired levels of service. This means that the City can make better decisions about which assets to invest in based on critical needs and required levels of service.

The Plan highlights two of the challenges facing Barrie and municipalities across the province. Effective storm water management in the City will ensure that the impact of urbanization is mitigated and that local creeks and Lake Simcoe are protected. Effective asset management will improve decision making, help reduce the infrastructure deficit, and make sure that investments occur when and where they are needed the most. Capacity building through the federal Gas Tax Fund continues to help Ontario's municipalities plan for the long-term.

The City of Barrie continues to invest in storm water infrastructure, and the Gas Tax Fund plays a crucial role. Since 2005, more than \$16 million has been invested in projects such as storm water management ponds and drainage systems including watercourses, pipes and culverts.

Jeff Lehman, Mayor of Barrie said: "I'm ecstatic that we have been recognized with this award for our efforts in developing a comprehensive plan that will help us to better serve our residents in future. It is important that we promote high standards of environmental sustainability as we manage growth, and continue our work to protect Lake Simcoe for our future generations."

Tweet from Jeff Lehman, Mayor of Barrie:

@Mayor_Jeff: Very proud to announce that the @cityofbarrie has won an AMO Ontario gas tax award for our stormwater plan! #excellence #protectingtheLake

Appendix: 2012 Outcomes Reporting Tables

Community Energy Systems

42 projects were completed in 2012. These projects benefited from \$6,111,330.03 of Gas Tax Funds and had total project costs of \$17,628,106.99. Their outcomes were:

- 27 projects saved 1,879,216 kilowatt-hours per year
- 8 projects generated 179,563.04 kilowatt-hours per year
- 12 projects saved 103,196 cubic metres of oil, natural gas, or propane per year
- 1 project resulted in LEED Silver certification for a municipal building
- 1 project resulted in LEED certification for a municipal building

Solid Waste

24 projects were completed in 2012. These projects benefited from \$4,465,011.65 of Gas Tax Funds and had total project costs of \$14,631,695.46. Their outcomes were:

- 11 projects diverted 8,447.46 tonnes of waste
- 4 projects increased the number of households with organics collection by 914
- 1 project resulted in the collection of 540 cubic metres of methane
- 15 projects were required for municipalities to meet Ministry of the Environment Certificates of Approval

Water

34 projects were completed in 2012. These projects benefited from \$12,195,390.23 of Gas Tax Funds and had total project costs of \$20,452,311.92. Their outcomes were:

- 2 projects reduced the number of adverse water quality tests by 3
- 11 projects reduced water main breaks by 96.11 per cent
- 15 projects resulted in an improvement in drinking water (per testing under the Safe Drinking Act)
- 3 projects reduced the weighted number of days when a boil water advisory was in effect by 100 per cent
- 14 projects reduced the average age of water pipes by 28.94 years
- 12 projects led to 11,175 metres of new water pipes
- 5 projects led to the rehabilitation of 1,870 metres of water pipes
- 8 projects resulted in a higher level of treatment for 1,732,356 cubic metres of water

Wastewater

49 projects were completed in 2012. These projects benefited from \$20,256,108.11 of Gas Tax Funds and had total project costs of \$59,849,817.52. Their outcomes were:

- 2 projects reduced the number of wastewater test results that indicated discharge objectives were not met by 88.89 per cent
- 7 projects led to 1,289 more households having access to improved wastewater plants
- 4 projects reduced the number of wastewater main backups per 100 kilometres by 72.08 per cent
- 1 project reduced the percent of wastewater bypassing treatment by 100 per cent
- 13 projects reduced the average age of wastewater pipes by 27.28 years
- 10 projects upgraded treatment plants for one municipality
- 4 projects led to the separation of 2,350 metres of wastewater and stormwater pipes
- 12 projects led to 5,503.88 metres of new wastewater distribution pipes
- 4 projects led to the rehabilitation of 626.10 metres of wastewater distribution pipes
- 10 projects led to 3,800.84 metres of new stormwater pipes

- 4 projects led to the rehabilitation of 1,008.40 metres of stormwater pipes
- 7 projects led to 3,110,760 cubic metres of wastewater treated to a higher level
- 11 projects led to one municipality with an improved sewage treatment level
- 19 projects were required for 19 municipalities to meet Ministry of the Environment Certificates of Approval

Roads

339 projects were completed in 2012. These projects benefited from \$223,947,810.07 of Gas Tax Funds and had total project costs of \$376,247,059.76. Their outcomes were:

- 318 projects led to 1,683.19 kilometers of improved roadways
- 280 projects reduced carbon dioxide emissions by 33,291,904.45 kilograms a year due to improved driving surfaces
- 12 projects reduced carbon dioxide emissions by 2,929,745.20 kilograms a year due to new turning lanes and traffic signals
- 19 projects reduced energy use by 56,764,627.45 mega-joules due to cold-in-place recycling of materials during construction
- 35 gravel road projects reduced energy use by 446,597,058.27 mega-joules due to the avoidance of hard surface paving
- 7 projects led to a 25.5 per cent improvement in fuel efficiency of municipal vehicles (litres per kilometer)
- 4 projects led to the construction of 5.34 kilometers of ditching along roadways
- 1 project rehabilitated an existing municipal salt/sand storage site
- 1 project increased capacity of municipal salt/sand storage sites by 2,000 tonnes

Public Transit

62 projects were completed in 2012. These projects benefited from \$51,110,821.65 of Gas Tax Funds and had total project costs of \$211,319,325.55. Their outcomes were:

- 20 projects contributed to a 7 per cent increase in conventional transit ridership
- 14 projects contributed to a 3.47 per cent increase in transit passengers per revenue hour
- 11 projects contributed to a 2.36 per cent increase in transit service (revenue hours/service population)
- 4 projects reduced the average age of transit fleet by .39 years
- 3 projects led to a 0.02 kilometer per hour decrease in average operating speed
- 2 projects reduced service interruptions by .15 per 1,000 service hours per year
- 6 projects added 80 new conventional fuel buses to transit fleets
- 1 project added 2 new alternative fuel/hybrid buses to transit fleets
- 3 projects led to a .67 per cent increase in the percentage of fleet that use alternative fuels or are hybrids
- 3 projects led to 58 fewer litres of fuel used per passenger kilometer
- 3 projects led to a 2.78 per cent increase in the percentage of transit fleet that is accessible to wheelchairs
- 1 project led to a 100 per cent increase in the percentage of transit fleet with electronic fare card systems
- 1 project led to a 99 per cent increase in the percentage of transit fleet with installation of bike racks
- 4 projects added 23 new bicycle racks
- 1 project led to 5.2 kilometers of new bicycle lanes and trails
- 2 project led to improvements to 4.45 kilometers of bicycle lanes and trails

- 16 projects led to 25.17 kilometers of new sidewalks
- 19 projects led to improvements to 52.70 kilometers of sidewalks

Bridges

66 projects were completed in 2012. These projects benefited from \$32,053,678.31 of Gas Tax Funds and had total project costs of \$43,042,231.94. Their outcomes were:

- 66 projects led to the opening of 87.43 kilometers of road closures
- 63 projects led to the removal of 449.45 kilometers of detours
- 4 projects reduced carbon dioxide emissions by 225,147.78 kilograms a year due to the elimination of load restrictions
- 48 projects reduced carbon dioxide emissions by 8,007,548.38 kilograms a year due to faster bridge construction methods that reduced the duration of detours, closures and restrictions