

Council Report

DATE: Tuesday, June 25, 2024

WARD(S): ALL

**TITLE: RENEWAL OF MUNICIPAL FUNDING AGREEMENT FOR THE
TRANSFER OF CANADA COMMUNITY-BUILDING FUND**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To seek Council approval to enter into the new Municipal Funding Agreement with the Association of Municipalities of Ontario for the transfer of the Canada Community-Building Fund, and to enact a by-law as required by the program.

Report Highlights

- The Federal Gas Tax Fund was renamed to Canada Community-Building Fund (CCBF) in 2021.
- The most recent Municipal Funding Agreement between the City of Vaughan and the Association of Municipalities of Ontario for the transfer of CCBF funds expired on March 31, 2024.
- The renewed Municipal Funding Agreement (MFA) carries a ten-year term that will expire on March 31, 2034.
- The renewed MFA introduces a requirement for CCBF to include investments that will help increase housing supply and affordability.
- The City of Vaughan has received approximately \$154.7 million in CCBF since 2005.
- The CCBF reserve balance at the end of 2023 was \$25.9 million.
- Upon execution of the new agreement, the City of Vaughan is expected to receive \$10.2 million in 2024, \$10.6 million in each of 2025 and 2026, and \$11.0 million in each of 2027 and 2028.

Recommendations

1. That Council approve entering into the renewed Municipal Funding Agreement between the Association of Municipalities of Ontario and the City of Vaughan for the transfer of Canada Community-Building Fund for the ten-year period from April 1, 2024 to March 31, 2034; and
2. That Council enacts a by-law authorizing the City Clerk and City Treasurer to execute the new Municipal Funding Agreement on behalf of the City of Vaughan.

Background

As a measure to help communities fund the construction and restoration of priority infrastructure projects, the Government of Canada introduced the Federal Gas Tax Fund in the 2005 Federal Budget. The program, renamed to Canada Community-Building Fund in 2021, was initially rolled out as an interim funding allocation to municipalities and unincorporated areas. As a result of its successful impact on communities, CCBF has continued to be a predictable funding source, delivering over \$2.0 billion in annual funding across Canada.

Administration of the CCBF in Ontario is executed through an Administrative Agreement between the Government of Canada, the Ministry of Municipal Affairs and Housing, City of Toronto, and Association of Municipalities of Ontario (AMO), outlining the roles and responsibilities of each party.

The AMO receives and distributes CCBF funding to Ontario Municipalities (with the exception of Toronto) based on population. For municipalities that operate under 2 tiers, 50 percent of the total funding for the entire Region/County is allocated to the upper tier municipality and 50 percent is allocated to the lower tier municipalities based on population. To receive funding, municipalities must enter into separate Municipal Funding Agreements (MFA) with the AMO that correspond with the terms of the Administrative Agreement. In addition, municipalities must enact a by-law authorizing the MFA and the City Clerk, Legal Services and City Treasurer to execute the MFA.

The per capita distribution is adjusted every five years when new census data is released. CCBF is transferred to Ultimate Recipients (municipalities) annually in two installments in July and November. Funds are deposited into a special obligatory reserve and withdrawn when required to pay for capital project expenditures that meet the eligibility criteria of the program.

The City of Vaughan established the Federal Gas Tax Revenue Reserve Fund through By-law Number 29-2006. In the past seven years (2017-2023), Vaughan received the following from the CCBF:

2017	2018	2019 *	2020	2021**	2022	2023
\$8.9M	\$9.2M	\$18.6M	\$9.3M	\$19.0M	\$9.7M	\$10.1M

* Includes top up funding of \$9.2 million announced in the 2019 Federal Budget

** Includes top up funding of \$9.3 million announced in the 2021 Federal Budget

Since 2005, the City of Vaughan received approximately \$154.7 million in CCBF. The table below provides a summary of Vaughan’s cumulative CCBF expenditures from 2005 through 2023. The project categories largely reflect repair and replacement programs and not growth-related projects.

Project Category <i>(rounded in millions \$)</i>	2023 Expenditures	Accumulated Expenditures since 2005
Local Roads and Bridges	8.5	89.3
Community Energy Systems	0.2	12.5
Public Transit	0.0	4.8
Capacity Building	0.5	2.4
Solid Waste/Water/Wastewater	1.3	8.8
Disaster Mitigation	0.0	1.7
Sports Infrastructure	2.7	5.4
Recreation	2.7	13.5
Total	15.9	138.4

Previous Reports/Authority

[New Municipal Funding Agreement for Transfer of Federal Gas Tax Fund](#)

(Item 3, Report No. 8 of the Finance, Administrative and Audit Committee, June 24, 2014)

Analysis and Options

The last ten-year Municipal Funding Agreement executed in 2014 expired on March 31, 2024. The new MFA when executed will be in place for the next ten years from April 1, 2024 to March 31, 2034.

Over the next five years (2024-2028), Ontario municipalities are expected to receive \$4.7 billion of the CCBF, including \$895.5 million in 2024. Under the new MFA, Vaughan will receive \$53.3 million over the next 5 years (2024-2028) based on the 2021 Census data:

2024	2025	2026	2027	2028
\$10.2 million	\$10.6 million	\$10.6 million	\$11.0 million	\$11.0 million

Allocations for fiscal years 2029 through 2034 will be based on the 2026 Census data.

The new MFA no longer requires municipalities to submit a Certificate of Insurance each year. However, CCBF allocations are still required to be deposited in an interest-bearing account or any other investment tools in accordance with the City's investment policy and provincial legislations. Interest income, investment gains and revenue from the sale, lease or disposal of assets funded by CCBF are considered part of the CCBF and must be reported to the AMO annually. This income can be reinvested into eligible projects.

Requirement to include investments that will increase housing supply and affordability

As a measure to increase the supply of affordable housing in Canada, eligible projects and expenditures for CCBF were expanded in the new Municipal Funding Agreement to include the necessary public infrastructure that support housing. Recipients are expected to prioritize projects that support the growth of the housing supply. Costs related to housing and land use, including HNA implementation studies, and innovative strategies and systems are eligible for CCBF under the capacity-building project category. Land acquisition or expropriation costs are ineligible expenses.

Single-tier and lower-tier municipalities with a 2021 Census population of 30,000 or more are also required to prepare a Housing Needs Assessment (HNA) by March 31, 2025.

Outcome reports on housing expenditures are required and must include information on CCBF-funded projects that are completed in the reporting year. This includes:

- i. The number of housing units enabled, supported, or preserved; and
- ii. The number of affordable housing units enabled, supported, or preserved.

By-law for Canada Community-Building Fund

As required by the MFA, a municipal by-law is required for Council to authorize the execution of the Municipal Funding Agreement, related to the renewed Administrative Agreement, between the Corporation of the City of Vaughan and the Association of Municipalities of Ontario for the transfer of the Canada Community-Building Fund.

By enacting the by-law, Council delegates responsibility to the City Clerk, City Treasurer and Legal Services to execute the MFA and to perform all obligations in accordance with the directives contained in the agreement. The directives include recipient qualification requirements, eligible project categories, eligible and ineligible

expenditures, program reporting requirements, communication protocols, and the new Housing Needs Assessment.

Financial Impact

The CCBF continues to provide complementary funding for tax-supported, rate-supported sources, and other federal and provincial funding programs. Upon enacting the by-law and entering into the new Municipal Financing Agreement with the Association of Municipalities of Ontario, the City of Vaughan will continue to receive CCBF funding. CCBF grants to be received under the new agreement will be incorporated in development of the 2025 Budget and future capital plans.

Operational Impact

Corporate Finance staff continue to work with departments to identify additional eligible projects and prioritize projects that support affordable housing to optimize funding allocations that will maximize the benefit of CCBF while ensuring compliance with CCBF requirements. Staff will also complete and publish the Housing Needs Assessment and submit it to the AMO by March 31, 2025.

Broader Regional Impacts/Considerations

The Administrative Agreement represents an economic action plan between The Government of Canada, the Ministry of Municipal Affairs and Housing, the City of Toronto, and The Association of Municipalities of Ontario (AMO). As the funding administrator for Ontario, AMO ensures that municipalities under the Municipal Act, 2001 receive equitable distributions and directives in a transparent and collaborative approach. While the MFA is in place until March 31, 2034, the core agencies forming the MFA can amend, review, or terminate the MFA in writing as agreed upon.

Conclusion

Since 2005, the Canada Community-Building Fund has been a reliable source of grant funding available to municipalities to support new infrastructure initiatives and renewal of existing assets. Expiration of the former agreement requires the City to execute a new agreement and an enacting By-law to ensure continued receipt of CCBF grants. The total amount of new funding will be approximately \$53.3 million over 5 years and will continue to grow to 2034 through indexing and population growth. The City will use the funds for projects which meet the requirements of eligible categories that support affordable housing, economic viability, sustainable growth, and reliable community infrastructure networks. The City will comply with all terms and conditions regarding CCBF as outlined in the Municipal Funding Agreement.

For more information, please contact:

Michael Marchetti, Director, Financial Planning & Development Finance, ext. 8271

Kenneth Quan, Senior Manager, Corporate Financial Planning & Analysis, ext. 8029

Attachments

1. Administrative Agreement on the Canada Community-Building Fund
2. Municipal Funding Agreement on the Canada Community-Building Fund
3. By-law - Canada Community-Building Fund

Prepared by

Nneka Usifoh, Supervisor - Fiscal Planning & Policies, ext. 8724