

Committee of the Whole (2) Report

DATE: Tuesday, June 8, 2021

WARD(S): ALL

TITLE: ALLOCATION OF ADDITIONAL CANADA COMMUNITY-BUILDING FUND IN 2021 (FORMERLY FEDERAL GAS TAX FUNDING)

FROM:

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

ACTION: DECISION

Purpose

To provide Council with a status update on the City's Federal Gas Tax Program and the proposed allocation of the top-up of Gas Tax Funding (re-named to Canada Community-Building Fund) for 2021 announced by the Federal Government, and to seek Council approval on the proposed budget amendments resulting from the allocations.

Report Highlights

- The Federal Government has announced an additional \$2.2 billion in the Canada Community-Building Fund (formerly Federal Gas Tax Fund) to help prepare communities for economic recovery from the pandemic.
- Since 2005, the City of Vaughan has benefited from \$115.8 million of Gas Tax funding to support renewal and replacement of capital assets.
- Total additional funding for the City of Vaughan is \$9.3 million for eligible capital projects under the program, bringing the total Gas Tax / Canada Community-Building Funding in 2021 to \$19.0 million.
- Five existing capital projects are recommended for allocation of the additional funding, releasing both tax and rate supported funding sources, which can be re-directed to address pressures in other capital priority areas and/or help reduce property tax pressures (tax portion only).

Recommendations

1. That Council authorize the City Treasurer to make amendments to the approved capital budget and funding sources to reflect the proposed allocation of the one-time top-up of the Canada Community-Building Fund of \$9.3 million in 2021; and
2. That inclusion of this matter on a Public Committee or Council agenda with respect to amending capital budgets, as identified in this report, be deemed sufficient notice pursuant to Section 2(1)(c) of By-Law 394-2002, as amended.

Background

The Federal Gas Tax Fund (GTF) was first introduced in the 2005 Federal Budget to assist Canadian municipalities in maintaining public infrastructure. In 2008 the federal government announced that the GTF would be made permanent to ensure stable, long-term funding to support municipalities.

In Ontario, the GTF is administered by the Association of Municipalities of Ontario (AMO). AMO receives and distributes GTF funding to Ontario Municipalities based on population (with the exception of Toronto). 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% is allocated to the lower tier municipalities based on population.

The following is a summary of the City of Vaughan's allocations from 2015 to 2021:

2015	2016	2017	2018	2019 *	2020	2021
\$8.3M	\$8.8M	\$8.8M	\$9.2M	\$18.5M	\$9.3M	\$9.7M

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

As of December 31, 2020, the City has received approximately \$115.8 million in GTF since 2005. The following is a summary of the GTF expended during the period 2005 to 2020. It should be noted that the categories largely reflect repair and replacement programs and not growth driven projects.

Project Category	2020 Expenditure (\$millions)	Accumulated Expenditures since 2005
Local Roads and Bridges	10.2	64.2
Community Energy Systems	2.4	12.1
Public Transit	0.0	4.8
Capacity Building	0.0	1.2
Solid Waste / Water / Wastewater	0.3	4.7
Disaster Mitigation	0.1	0.3
Sports Infrastructure	1.9	2.4
Recreation	1.6	2.6
Total	16.4	92.2

At the end of 2020, there was approximately \$27.4 million in unspent GTF with \$21 million in commitments, leaving \$6.5M uncommitted in the GTF. This uncommitted balance will partially offset the City's 2021 Gas Tax funding commitments of approximately \$16.2 million included in the 2021 Council approved capital budget (the remaining \$9.7M to be funded by 2021 Federal Gas Tax allocation).

The following table illustrates the financial summary of the City's GTF program.

<u>Financial Summary</u>	<u>\$ Millions</u>
GTF Received Since 2005	115.8
Less: Accumulated Expenditures	(92.2)
Add: Investment Income	3.8
Unspent GTF	27.4
Less: Commitments in Capital Budget (December 31, 2020)	(20.9)
Remaining Uncommitted Funds as of December 31, 2020	6.5

On March 25, 2021, Deputy Prime Minister and Minister of Finance Chrystia Freeland announced Bill C-25 which would permanently rename the GTF to the Canada Community-Building Fund (CCBF) and increase funding by \$2.2 billion in 2021 (almost doubling the allocation to approximately \$4.5 billion) to help prepare communities for economic recovery from the pandemic. The announcement was reaffirmed on April 19, 2021 when she tabled the 2021 Budget which included the additional \$2.2 billion funding under Part 2 - Creating Jobs and Growth, Chapter 6 - Strengthening the Cities and Communities We Call Home.

A total additional amount of \$648 million will be provided to Ontario (excluding Toronto) and will be distributed to recipients in accordance with the allocation formula used for gas tax payments made in 2020. **The City of Vaughan's allocation is approximately \$9.3 million, bringing total funding in 2021 to \$19 million.** Allocations of the 2021 top-up by region / county / municipality in Ontario are provided in **Attachment 1**.

Previous Reports/Authority

[Communication – Gas Tax 2019 – May 6, 2019](#)

Analysis and Options

Allocation of the One-Time Top-Up of the Canada Community-Building Fund

The CCBF top-up provides the City with an opportunity to reduce the pressure on property taxes, water and stormwater rates by replacing the funding from those sources with CCBF for eligible projects.

Staff have identified, reviewed, and approved existing capital projects that are eligible for CCBF. Projects were prioritized based on the City's asset management framework and business cases were reviewed to ensure alignment with Term of Council strategic

objectives and compliance with the CCBF/GTF guidelines. Furthermore, considerations were given to the long-term financial and economic impact of the projects.

The following table provides a summary of the proposed allocation of the additional Canada Community-Building Fund totaling \$9.3 million and the funding released:

Project Number and Description	2021 Approved Total Budget	Allocation of \$9.3M CCBF Funding			Total 2021 Budget	Change in Budget
		Additional CCBF Funding	Reduction in Debt	Reduction in Stormwater Reserve		
EN-1879-12 - Storm Water Management Facility for Gallanough Park	5.1	3.4	0.0	(1.6)	6.9	1.8
ID-2047-18 - 2020 Road Rehabilitation/ Reconstruction	9.9	3.0	(4.8)	0.0	8.1	(1.8)
ID-2060-19 - 2021 Road Rehabilitation/ Reconstruction	6.0	1.2	(1.2)	0.0	6.0	0.0
ID-2097-20 - Road Reconstruction, Watermain & Street Lighting Replacement in the Woodland Acres Area	1.3	0.2	(0.2)	0.0	1.3	0.0
DE-7176-17 - Black Creek Channel Renewal Design and Construction	17.4	1.6	(1.6)	0.0	17.4	0.0
Grand Total	39.7	9.3	(7.7)	(1.6)	39.7	0.0

The proposal will replace funding from both tax and rate supported sources with CCBF for 5 eligible projects. Approximately \$7.7 million will be relieved from debt and \$1.6 million from the Stormwater Reserve. Funding released can be re-directed to address pressures in other capital priority areas. Alternatively, debt funding released can be re-directed to help reduce property tax pressures, by avoiding a debenture issuance of \$7.7 million and associated debt servicing costs of an estimated \$0.9 million per year, assuming a borrowing rate of 3% for a 10-year debenture.

Projects recommended to receive the top-up represent key asset investments prioritized by the City's asset management plan to improve roads and traffic and replace aging watermain and stormwater infrastructure.

Asset management is the integrated, lifecycle approach to effective stewardship of assets that will maximize benefits, manage risk, and provide appropriate levels of service to the public in a sustainable and environmentally responsible manner. As the City matures, multi-faceted integration across all asset classes is needed to support long-range financial planning that ensures that future funding is available to achieve target levels of service. The below discussion highlights some of the key projects that meet these asset management objectives and would benefit from the CCBF top-up under the proposal.

Stormwater Management Facility for Gallanough Park

The Stormwater Management Facility (SWMF) in Gallanough Park is one of several recommendations that came out of previously completed Stormwater Infrastructure Funding Study. The implementation of the recommendations has and continues to be

completed in several phases. As one of the recommended solutions, the storm relief sewer on Arnold Avenue was initially planned after the completion of the SWMF. As a result of the recent funding from the Disaster Mitigation and Adaptation Fund (DMAF) program, it was decided to advance the design and construction of the storm relief sewer to be completed in conjunction with the SWMF in Gallanough Park. Incorporating the storm relief sewer scope has resulted in a gain in efficiencies in both the design and construction costs. As the design progressed, the construction cost estimate for the stormwater management improvements were refined.

It is prudent engineering and industry practice for the design process to be completed in phases. Typically, the design is developed in three or four phases, preliminary design (30% and 60% completeness) and detailed design (90% and 100% completeness). During the budget cycle for the 2021 Capital Budget, the design of the stormwater management improvements was in the preliminary phase. At that time, the best available cost estimate was provided for the capital budget request based on the preliminary design. As the design was further refined in the detailed phase, a more accurate and refined cost estimate greater than the current available budget of approximately \$1.8 million was identified.

Roads Rehabilitation / Reconstruction, Watermain and Street Lighting Replacement

The City's extensive road and traffic network is responsible for connecting communities and moving people and goods in a safe, efficient, and sustainable manner. The City's Pavement Management Program (PMP) establishes a level of service for the entire road network to develop a prioritized listing of roads for preventative maintenance, pavement preservation, road rehabilitation and reconstruction to ensure that an acceptable level of service is maintained for the safety and well-being of all citizens. The planned system of treating pavements at the optimum time to maximize their useful life results in enhanced pavement longevity at a minimized cost. Continued investment in the PMP is critical to maximize the benefit for every dollar invested in road rehabilitation, which will mitigate the risks of further deterioration of roads reduced serviceability, increased traffic congestion, and increased long-term maintenance and reconstruction costs. CCBF top-up funds are also proposed to be allocated to watermain and streetlight replacement in conjunction with road reconstruction where applicable.

Black Creek Channel Renewal Design and Construction

In May 2016, through an extensive consultation process with the development industry, a Black Creek Financial Strategy was approved. This strategy developed a complex funding model for the Black Creek and Edgeley Pond infrastructure works in the Vaughan Metropolitan Centre and involved the creation of three new Area Specific Development Charges as well as the identification of costs to be allocated to City-Wide

Development Engineering Development Charges, City-Wide Parks Development Charges, and the Stormwater Reserve.

The portion of costs from the Stormwater Reserve were identified as putting significant pressure on the reserve, as such those costs were assumed to be debenture financed in the existing capital project, to be funded from future stormwater collections.

Since that time the City has begun to undertake a subsequent update to the Black Creek Financial Strategy. Due to a more detailed Edgeley Pond and Park design and increased land costs, the allocation of costs has increased significantly across all funding sources, including the Stormwater Reserve. In order to slightly mitigate the anticipated future budgets and further increased pressure on the Stormwater Reserve, staff have determined that the removal and replacement of the debenture component of the existing capital project with CCBF funding would be prudent.

Broader Regional Impacts/Considerations

Not applicable.

Financial Impact

Overall, there is no net financial impact to the City's approved capital budget due to the allocation of the additional Canada Community-Building Fund (formerly Federal Gas Tax Funding) of \$9.3 million in 2021. The total budget of the Stormwater Management Facility for Gallanough Park project (EN-1879-12) will increase by \$1.8 million, offset by a decrease in the budget of the 2020 Road Rehabilitation / Reconstruction project (ID-2047-18). Debt funding of \$7.7 million and funding from the Stormwater Reserve of \$1.6 million will be replaced by CCBF funding of \$9.3 million for the 5 recommended eligible projects. Funding released can be re-directed to address pressures in other capital priority areas. Alternatively, debt funding released can be re-directed to help reduce property tax pressures by avoiding a debenture issuance of \$7.7 million and associated debt servicing costs of an estimated \$0.9 million per year.

Conclusion

This one-time top-up fund will provide additional support to the City to address certain infrastructure deficits to support improved productivity, economic growth, a clean environment, and help to build strong cities and communities.

The proposed amendments to the capital projects outlined in this report help position the City to better manage funding pressures and continue its pursuit of service excellence, while delivering the needed services and infrastructure to Vaughan citizens.

Attachment

1. Allocation of 2021 Canada Community-Building Fund by Municipality in Ontario.

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