

FEDERAL GAS TAX AGREEMENT MUNICIPAL Q AND A's

NEW GAS TAX AGREEMENT

How much funding will be provided to municipalities under the new Gas Tax Agreement?

Manitoba municipalities can expect to receive almost \$340 million in federal gas tax funding over the next 5 years – including more than \$65 million in 2014. Gas tax payments will be indexed at a rate of 2%, starting in 2016, providing municipalities with additional funding in future years to address their infrastructure needs.

Has the new Gas Tax Agreement changed from the previous Agreement?

Most of the key provisions in the new Agreement are unchanged from the previous Gas Tax Agreement. However there are a few changes municipalities should be aware of, including:

Eligible Projects – expanded to include more project categories, including recreation, cultural, tourism and sport infrastructure, among other projects.

Eligible Costs – feasibility and planning studies and communications costs, such as costs for project signs, are now eligible. Administration costs incurred by municipalities are now ineligible.

Use of Unspent Funds – municipalities can use unspent funds they are holding in reserve from the previous Agreement on projects eligible under the new Agreement, including any of the new expanded project categories.

Communications – new provision requiring municipalities to provide information on planned projects at the beginning of each construction season, to help plan communications event for the coming year.

Asset Management – new requirement for municipalities to work towards developing and/or implementing asset management plans.

PAYMENT OF GAS TAX FUNDS

How will gas tax funds be distributed to municipalities?

Gas tax funds received from Canada will be distributed to municipalities on the same basis as the previous Agreement:

90% allocated to all municipalities on a per capita basis;

9.5% allocated to Winnipeg and Brandon on a per capita basis for transit infrastructure;

0.25% allocated to the application-based Small Communities Transportation Fund; and

0.25% allocated to Manitoba's administration expenses.

Why aren't annual payment amounts included in our Agreement?

The new Gas Tax Agreement with Canada is an Administrative Agreement, that sets out basic terms and conditions for providing gas tax funds. However Canada has not included the annual payment amounts Manitoba will receive in its Agreement with the Province. Instead, Canada will provide Manitoba with a funding letter each year, confirming the amount to be provided that year.

The amounts Canada expects to provide over the next 5 years are outlined on their website at <http://www.infrastructure.gc.ca/prog/gtf-fte-tab-eng.html> The annual gas tax payment amounts to Manitoba municipalities are subject to Canada providing these expected allocations to Manitoba.

How much will our municipality receive each year?

For 2014 to 2018, your municipality's per capita payment will be based on 2011 Census populations. Expected payment amounts for these years are available on the AMM's website.

For 2019 to 2023, per capita payments will be revised based on 2016 Census populations. Annual payment amounts for these years will be determined once 2016 Census numbers are available.

What do municipalities have to do to receive their gas tax funds?

Municipalities must sign a Municipal Gas Tax Agreement with Manitoba. Copies of the Agreement have been sent to your municipality.

Municipalities must also be in compliance with the terms of their Agreement, which includes meeting their reporting requirements. Specifically, prior years' audited financial statements and annual gas tax expenditure reports must be submitted to Manitoba in order for municipalities to receive gas tax funds.

What happens if municipalities do not meet the reporting requirements?

Gas tax payments are withheld from municipalities who do not submit prior years' audited financial statements and annual gas tax expenditure reports. These funds will be paid once the municipality comes into compliance.

When will we receive our next gas tax payment?

Municipalities that are in compliance with their Agreement will receive their next payment in two semi-annual installments; 1st payment by July 30th and the 2nd payment by March 31st, or an earlier date to be determined by the Oversight Committee.

USE OF GAS TAX FUNDS

What projects are eligible?

Eligible project categories are outlined in Schedule 1 of your Municipal Gas Tax Agreement. Eligible categories have been expanded from those included in the previous Gas Tax Agreement, to provide municipalities with more flexibility in the use of gas tax funds.

Gas tax funds can now be spent on 11 new eligible project categories:

- Recreation infrastructure;
- Sport infrastructure;
- Tourism infrastructure;
- Cultural infrastructure;
- Highways;
- Local and regional airports;
- Short-line rail;
- Short-sea shipping;
- Disaster mitigation;
- Broadband connectivity;
- Brownfield redevelopment;

These new project categories are in addition to those eligible under the previous Agreement, including roads and bridges, water, wastewater, solid waste, public transit, community energy infrastructure and capacity building initiatives.

What expenditures are eligible?

Eligible expenditures are the costs associated with acquiring, designing, constructing or renovating a tangible capital asset, as defined by Generally Accepted Accounting Principles (GAAP). Debt financing charges incurred by a municipality in undertaking these projects are also eligible.

For the capacity building category, expenditures related to strengthening the ability of municipalities to improve local and regional planning are eligible. This includes costs associated with capital investment plans, integrated community sustainability plans, life-cycle cost assessments, and asset management plans.

Expenditures directly associated with communication activities for gas tax funded projects including project signage, media events and announcements are also eligible.

What expenditures are ineligible?

Ineligible project expenditures are outlined in Schedule 2 of your Municipal Gas Tax Agreement. They include:

- project expenditures incurred before April 1, 2005;
- project expenditures incurred before April 1, 2014 for the newly expanded project categories;
- administration costs incurred by the municipality, except for costs associated with gas tax communications (events, signage, etc.);
- purchase of land or any interest therein, and related costs;
- legal fees;
- routine repair and maintenance costs; and
- taxes for which the municipality is eligible for a tax rebate and all other costs eligible for rebates.

Can we use gas tax funds to pay for municipal employee and equipment costs?

Yes, but only under certain circumstances. The incremental costs of municipal employees or leasing of equipment may be included as eligible expenditures provided:

- a) The municipality is able to demonstrate that it is not economically feasible to tender a contract;
- b) The employee or equipment is engaged directly in the work that would have been subject of the contract; and
- c) The arrangement is approved in advance and in writing by Manitoba.

How will we know if a project our municipality wants to undertake is eligible?

Eligible project categories are listed on Schedule 1 of the Agreement.

Please contact the Canada-Manitoba Infrastructure Secretariat at (204) 945-4074 or by e-mail at infra@gov.mb.ca if you are unsure if your project is eligible.

Do we need prior approval before spending the funds?

No, as under the previous Gas Tax Agreement, prior approval of projects is not required. You must make sure that the funds are used according to the terms and conditions set out in the Agreement.

Are we required to provide matching funds?

There is no requirement to provide matching funds. You can use gas tax funds to pay up to 100% of the eligible costs of eligible projects.

We have funds in our gas tax reserve from the previous Agreement. Can these funds be used under the new Agreement?

Yes, municipalities can use unspent funds they are holding in reserve from the previous Agreement on projects eligible under the new Agreement

These funds can be used for projects in any of the eligible project categories listed in Schedule 1 of your Municipal Gas Tax Agreement.

Can we bank the funds for future use?

Yes, as under the previous Gas Tax Agreement, municipalities can continue to accumulate gas tax funds for larger-scale projects. There is no longer a requirement to spend funds within 5 years of receipt.

How will we account for our gas tax funds?

Municipalities must hold all gas tax funds separately in a specific purpose reserve account until the funds are spent. This allows you to keep track of gas tax funds received and how the funds are spent.

What happens if we sell an asset funded by gas tax funds?

If your municipality sells an asset paid for with gas tax funds within 5 years of completing the project, you are required to invest the proceeds from the sale into another project eligible under the Gas Tax Agreement.

REPORTING

Do municipalities have to submit an annual expenditure report?

Yes. Similar to the previous Agreement, key principles of the new Gas Tax Agreement are accountability and transparency to the public for the funds provided. Annual reports are needed so that all levels of government can demonstrate to the public that the gas tax funds have been spent on infrastructure projects.

How and when will we have to report?

Municipalities will have to prepare and submit an audited “Annual Expenditure Report” to the Province each year by June 30th. This reporting requirement is the same as the previous Agreement.

The Province will use the information provided by municipalities to submit a province-wide report to the federal government by September 30th.

COMMUNICATIONS

Why do municipalities have to provide upfront project information before the construction season?

This is a new requirement to ensure the federal government has information on gas tax funded projects in order to plan communication events for the coming year.

Are we required to install signs for gas tax funded projects?

Yes, municipalities are required to install signage at the location of projects receiving gas tax funds, identifying the federal infrastructure investments being made in your community.

Guidelines have been distributed to municipalities to help them determine whether a sign is required for specific projects. A flexible, common sense approach is used, recognizing that not all projects will require a sign. The following criteria will help you decide whether your project needs a sign:

Project Costs – Signs are required for projects that represent a significant investment of gas tax funds. Generally this includes projects where over \$100,000 in gas tax funds are invested. However you may choose to install signs for smaller scale projects at your discretion.

Project Location – signs should be located in areas highly visible to the public versus more remote areas.

Project Duration – Signs are required for projects taking place over a longer timeframe and should stay in place for the duration of the project.

Can we use gas tax funds to pay for communications activities such as signage?

Yes, expenditures directly associated with communication activities for gas tax funded projects including project signage, media events and announcements are eligible.

SMALL COMMUNITIES TRANSPORTATION FUND (SCTF)

What is the Small Communities Transportation Fund?

The Small Communities Transportation Fund (SCTF) is an application-based program that will provide funding to rural Manitoba municipalities for transit, handi-transit and active transportation infrastructure.

This fund combines funding previously available through the Small Communities Transit Fund (2010 – 2014) for transit projects and the Small Communities Active Transportation Fund (2012 – 2014) for active transportation projects.

SCTF grants will be over and above the annual gas tax per capita allocations posted on the AMM's Web Site.

Can I get more information on the SCTF program?

Yes, further details on the program will be included in the SCTF program guidelines including the eligible projects and costs, the application process and the key evaluation criteria etc.

Program guidelines and application forms will be posted on the Manitoba Municipal Government Web Site at: <http://www.gov.mb.ca/ia/index.html>

Municipalities will be notified when the program guidelines and application forms are posted.

OTHER REQUIREMENTS

The new Gas Tax Agreement requires municipalities to develop Asset Management Plans? What will municipalities have to do?

The new Federal Gas Tax Agreement requires municipalities to work towards the development and / or implementation of Asset Management Plans prior to March 31, 2018.

The progress made to date on asset management varies amongst all municipalities, so a tiered approach will be taken to develop these plans. This tiered approach will reflect a municipality's ability and current state of asset management planning, with more advanced goals set for larger municipalities as compared to smaller municipalities.

The specific planning goals and requirements will be reviewed and approved by the Oversight Committee. These goals and requirements will be developed in consultation with the AMM and municipalities, to ensure that they reflect best practices and are achievable for municipalities.

Can we use gas tax funds for projects receiving funding from other federal infrastructure programs?

Yes, under certain circumstances. Municipalities should treat gas tax funds transferred by Manitoba, as federal funds. If a municipality would like to use gas tax funds towards a project being funded under another federal infrastructure program, the cost-sharing rules of the other program must be respected.

You should make sure you are in compliance with the stacking rules under other the federal infrastructure program.

Can gas tax funds be used for projects funded under provincial infrastructure programs?

Yes, for projects funded under provincial / municipal cost-shared programs, gas tax funds may be used to fund the municipal share of the project.

Are there any other requirements for the use of these funds?

The Agreement outlines the specific requirements for municipalities in carrying out projects that receive gas tax funds, including environmental licensing, permits, tendering, recordkeeping, etc.

They are consistent with the requirements in other infrastructure programs and with normal municipal capital project and business practices.