

PREAMBLE

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, wish to cooperate in making a transformative difference in the sustainability and future prosperity of cities and communities in British Columbia for Canada's future.

WHEREAS the New Deal for Cities and Communities will: engage governments, stakeholders and the citizens of Canada in purposeful partnerships; foster vibrant, creative, prosperous and sustainable cities and communities across Canada; and enable all Canadians to achieve a higher quality of life and standard of living.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, recognize that all orders of government must work together collaboratively and in harmony to ensure that investments in communities are strategic, purposeful and forward-looking.

WHEREAS Canada, British Columbia and the local governments of British Columbia, as represented by the UBCM, have agreed to cooperate under the New Deal for Cities and Communities, which is based on a long-term vision of sustainability and which integrates four major themes: economic, environmental, social and cultural.

WHEREAS Canada, British Columbia and local governments of British Columbia as represented by the UBCM, agree to be open, transparent and accountable.

WHEREAS the Government of Canada's Budget 2005 outlined an intent to provide provinces and territories an amount equivalent to a portion of the federal excise tax on gasoline (gas tax).

WHEREAS this Agreement includes the specific provisions on the gas tax for environmentally sustainable municipal infrastructure to support environmental sustainability objectives under the New Deal for Cities and Communities.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, agree that open communication with the public will best serve the right of Canadians to transparency, public accountability, and full information about the benefits of New Deal investments in communities.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, acknowledge that this Agreement reflects the scope of

expected areas of cooperation under the New Deal for Cities and Communities, and are committed to future collaboration on additional New Deal elements for which Canada and British Columbia may enter into separate agreements, including possible trilateral agreements, to support sustainability objectives.

AND WHEREAS the Union of British Columbia Municipalities is a legal entity as established under the *Union of British Columbia Municipalities Incorporation Act* SBC 1959, c. 106 that represents all Local Governments in the province of British Columbia.

PRINCIPLES

Canada, British Columbia and UBCM are committed to working in partnership with local governments in British Columbia to ensure that British Columbia communities are culturally vibrant, socially cohesive, economically strong and environmentally sustainable. The New Deal represents a collaborative way of doing business that is respectful of jurisdictions and provides opportunities to build new relationships among the federal government, provincial and territorial governments, First Nations, local governments and the private and not-for-profit sector, that will support the development of effective solutions to address the significant challenges facing urban and rural communities in British Columbia.

Canada, British Columbia, and the UBCM acknowledge that this Agreement has been negotiated with regard to the following principles:

Principle 1 – Respect for jurisdiction: Canada, British Columbia and UBCM will respect the roles of all orders of government. Furthermore, Canada, British Columbia and UBCM recognize the merit of partnerships across all orders of government to support the New Deal.

Principle 2 – A flexible approach: In recognition of the diversity of Canadian provinces and territories, First Nations, regions, cities and communities, Canada, British Columbia and UBCM have agreed to a funding allocation formula and delivery mechanism to meet the specific needs of British Columbia local governments.

Principle 3 – Equity: Canada is committed to treating provinces, territories and First Nations equitably. Furthermore, Canada, British Columbia and UBCM commit to ensuring equity between urban and rural/remote communities, recognizing the different capacities of local governments.

Principle 4 – Focus on long-term solutions: Canada, British Columbia and UBCM recognize the need to establish a long-term vision for Canadian cities and communities. This vision requires permanent collaboration between all orders of government on issues that significantly affect cities and communities.

Principle 5 – Transparency: Canada, British Columbia and UBCM will report regularly to Canadians on the outcomes achieved with gas tax funds using agreed upon performance measures.

Principle 6 – Accountability and Reporting to Canadians: Canada, British Columbia and UBCM commit to due diligence in the management of gas tax funding. To make the most effective use of gas tax funding, existing management structures and accountability/reporting mechanisms will be used where appropriate.

NOW THEREFORE, in accordance with the principles set out above, Canada, British Columbia and UBCM hereby agree as follows.

1. INTERPRETATION

1.1 Definitions

A capitalized term, used in this Agreement, has the meaning given to it in this section unless the context clearly suggests otherwise.

“**Agreement**” means this Canada – British Columbia - UBCM agreement on the transfer of Funds.

“**Annual Expenditure Report**” means the annual report to be prepared and delivered by the UBCM to Canada and British Columbia, more particularly described in Schedule E.

“**Audit Report**” means an audit report prepared, at UBCM’s expense by a British Columbia licensed auditor, more particularly described in Schedule E.

“**Capacity Building Projects**” means projects and activities that strengthen the ability of Local Governments to develop and implement integrated community sustainability planning, more particularly described in Schedule A.

“Capital Investment Plan” means a document created through a public process, with approval from locally elected officials, providing a detailed understanding of anticipated investments into tangible capital assets that are considered “priorities”.

“Eligible Costs” means those costs described in Schedule B, incurred in respect of Eligible Projects.

“Eligible Projects” means Capacity Building Projects and ESMI Projects.

“Eligible Recipient” means:

- (i) a Local Government or its agent (including its wholly owned corporation);
- (ii) a non-municipal entity, on the condition that the Local Government where the proposed Project would be housed has indicated its support for the Project through a formal resolution of its council or board. A non-municipal entity is defined as:
 - 1. for-profit organizations (such as P3), or
 - 2. non-governmental organizations, or
 - 3. not-for-profit organizations;
- (iii) the Greater Vancouver Transportation Authority, the Greater Vancouver Water District and the Greater Vancouver Sewerage and Drainage District; a trust council, a local trust committee and the trust fund board, all within the meaning of the *Islands Trust Act*, and any other entity that delivers core municipal services agreed to, in advance, by Canada, British Columbia and the UBCM;
- (iv) BC Transit subject to the agreement of the appropriate Local Government, through its council or board. In the case of the Capital Regional District, the appropriate Local Government is the Capital Regional District;
- (v) Federal and British Columbia entities in the form of departments, corporations and agencies are not Eligible Recipients of the GTF, except as expressly set out herein.

“Environmentally Sustainable Municipal (ESMI) Projects” means Municipal Infrastructure projects that:

- (i) improve the quality of the environment and contribute to reduced greenhouse gas emissions, clean water, or clean air; and
- (ii) fall within the category of projects described in Schedule A hereto.

“**Fiscal year**” means the period beginning April 1 of a year and ending March 31 of the following year.

“**Funding Agreement**” means an agreement made between UBCM and an Eligible Recipient pursuant to which Funds are paid to the Eligible Recipient and includes the Community Works Fund Agreement, the Strategic Priorities Fund Agreement and the Innovations Fund Agreement.

“**Funds**” means the funds made available pursuant to this Agreement and includes any interest earned on the said Funds.

“**GTF**” means the Gas Tax Fund Transfer Payment Program, pursuant to which this Agreement is entered into.

“**Infrastructure Programs**” means Canada’s infrastructure programs in existence at the time of the execution of this Agreement, including the Canada Strategic Infrastructure Fund, the Border Infrastructure Fund, the Municipal Rural Infrastructure Fund and the Infrastructure Canada Program.

“**Integrated Community Sustainability Planning**” means long-term planning, in consultation with community members, that provides direction for the community to realize sustainability objectives it has for the environmental, cultural, social and economic dimensions of its identity, as more particularly described in Schedule H hereto.

“**Local Government**” means a municipality as defined in the *Community Charter*, a regional district as defined in the *Local Government Act*, and the City of Vancouver as established under the *Vancouver Charter*.

“**Ministers**” means the Federal Minister and the Provincial Minister.

“**Municipal Infrastructure**” means tangible capital assets in British Columbia primarily for public use or benefit owned by an Eligible Recipient.

“**New Deal**” and “**New Deal for Cities and Communities**” means the federal initiative to enhance Government of Canada commitments to advancing local sustainability on four major themes: economic, environmental, social and cultural.

“**Outcomes Report**” means the report to be delivered by UBCM to Canada and British Columbia and made available to the public, which reports on the outputs and outcomes of the use of the Funds, using the indicators set out in Schedule F.

“**Parties**” means Canada, British Columbia and the Union of British Columbia Municipalities (UBCM).

“**President**” means the President of the Union of British Columbia Municipalities.

“**SIMSI**” means Infrastructure Canada’s Shared Information Management System for Infrastructure.

“**Third Party**” means any person, other than a party to this Agreement that participates in the implementation of an Eligible Project.

1.2 Entire Agreement

This Agreement supersedes and invalidates all other commitments, representations and warranties relating to the subject matter hereof which the Parties may have made either orally or in writing prior to the date hereof, including but not limited to the Canada, British Columbia, Union of British Columbia Municipalities Agreement in Principle on the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities, all of which will become null and void from the date this Agreement is signed.

Obligations imposed by this Agreement on each of the Parties are several and not joint such that, for example, each party is responsible for its own defaults and not for the defaults of other Parties.

1.3 Schedules

The following schedules are attached to form part of this Agreement:

Schedule A- Eligible Project Categories

- Schedule B- Eligible Costs for Eligible Recipients
- Schedule C- Eligible Recipient Accountability Framework
- Schedule D- Delivery Mechanism
- Schedule E- Reporting and Audits
- Schedule F- Outcomes and Outputs
- Schedule G- Communications Protocol
- Schedule H- Integrated Community Sustainability Planning

1.4 Precedence

In the event of a conflict, the part of this Agreement that precedes the signatures of the Parties will take precedence over the Schedules.

1.5 Accounting Principles

All accounting terms not otherwise defined herein have the meanings assigned to them under generally accepted accounting principles (GAAP); all calculations will be made and all financial data to be submitted will be prepared, in accordance with the GAAP in effect in Canada and in British Columbia. GAAP will include, without limitation, those principles approved or recommended from time to time by the Canadian Institute of Chartered Accountants, or any successor institute, applied on a consistent basis.

2 PURPOSE/OUTCOMES

2.1 Purpose of the Agreement

The purpose of this Agreement is to:

- i) provide a joint framework for the transfer of Funds, whose purpose is to provide British Columbia Local Governments with stable, reliable and predictable funding for environmentally sustainable municipal infrastructure; and,

- ii) confirm the commitment of Canada, British Columbia and UBCM to further co-operation on other elements of the New Deal for Cities and Communities, which may, following further agreement, be formalized through additional agreements parallel to this Agreement or appended as separate schedules hereto.

2.2 Purpose of the gas tax funding

Federal gas tax funding will provide Local Governments in British Columbia with a source of stable, predictable and long-term funding towards environmentally sustainable municipal infrastructure to help them address their infrastructure needs and meet sustainability objectives.

2.3 Outcomes

Gas tax funds under the New Deal will be directed toward the achievement of the following three key environmental sustainability outcomes for Canadian cities and communities:

- reduced Greenhouse Gas (GHG) emissions
- cleaner water
- cleaner air

3 COMMITMENTS BY THE PARTIES

3.1 Commitments by the Government of Canada:

Canada will:

- a) honour any existing contribution agreement with British Columbia in respect of Infrastructure Programs, in accordance with its terms.
- b) ensure that the funding under this Agreement provides additional funds for Local Governments rather than displacing other federal infrastructure funding; and intends to renew and extend the Canada Strategic Infrastructure Fund, the Border Infrastructure Fund and the Municipal Rural Infrastructure Fund, as they expire.
- c) collaborate with British Columbia, First Nations, the UBCM, Local

Governments, and the private and not-for-profit sectors on other elements of the New Deal.

- d) invest gas tax funding in First Nations On Reserve and First Nation Crown Land communities in British Columbia to address their infrastructure priorities.
- e) encourage Local Governments and First Nations collaborations on Eligible Projects.

3.2 British Columbia Commitments

3.2.1 British Columbia has made a significant contribution to Local Government infrastructure needs and the long-term sustainability of British Columbia local governments, including the following:

- a) adoption of the *Community Charter*, which ensures that British Columbia communities are broadly empowered and have the tools they need to plan for, develop and operate environmentally sustainable infrastructure;
- b) adoption of the *Growth Strategies Amendment Act*, which mandates provincial planning goals for local governments and enables regional districts to engage in regional planning;
- c) creation of the Smart Development Partnership Program (SDPP) to support innovation in local government planning;
- d) creation of a single transportation agency within the Greater Vancouver Regional District (GVRD), the Greater Vancouver Transportation Authority, with a comprehensive set of revenue sources including the property tax, user fees, parking charges, air care charges and a share of the provincial gas tax;
- e) adoption of the Public Sector Accounting Board Standards for financial accountability;
- f) returning 100% of traffic fine revenues to British Columbia municipalities; and

- g) establishment of the Municipal Finance Authority (MFA), a local government-controlled entity that undertakes long-term financing on behalf of local governments, enabling low-cost financing for sustainable infrastructure.

3.2.2 British Columbia will build on these past actions by committing to:

- a) ensure that, gas tax funds result in net incremental spending on infrastructure and that there will be no claw back of existing provincial infrastructure funding available to Local Governments;
- b) collaborate with Canada, First Nations, Local Governments, and the private and not-for-profit sectors on other elements of the New Deal;
- c) facilitate capacity building at the Local Government level, and support Local Government integrated sustainability planning; and
- d) strengthen the partnership role for Local Governments, as represented by the UBCM, in the management of this Agreement.

3.3 UBCM Commitments

3.3.1 UBCM and its member Local Governments have made a significant contribution to infrastructure needs and long-term sustainability of British Columbia communities, including the following:

- i) a demonstrated record of producing five-year financial plans, including capital plans.
- ii) a demonstrated record of producing plans designed to promote human settlement that is environmentally, economically and socially healthy, and that makes use of public facilities and services, land and other resources, such as: Regional Growth Strategies; Official Community Plans; and various other planning initiatives.
- iii) adoption and use of the Public Sector Accounting Board's (PSAB) Generally Accepted Accounting Principles (GAAP).
- iv) public Annual Reporting and Annual Meetings to ensure transparency and accountability.

- v) maintaining a single, united municipal organization representing all Local Governments in the province.
 - vi) developing the foundation on which to build new partnerships based on existing intergovernmental or multi-sectoral partnerships such as Georgia Basin Initiative, Fraser Basin Council and Columbia Basin Trust.
 - vii) participating as a partner in the recent Canada-BC Infrastructure Program.
 - viii) support for using and promoting innovative environmental technology.
 - ix) pioneering collaborative government initiatives (*Local Government Act* reform, *Community Charter* development, New Deal negotiations, Regulatory Best Practices).
 - x) creating innovative helping organizations and a strong track record in implementing shared solutions to common issues: Municipal Finance Authority; Municipal Insurance Association of BC; CivicInfo BC.
 - xi) continuing to develop a federated regional district system that is suited to a funding model that accommodates incorporated, unincorporated and shared jurisdictions.
 - xii) developing a government culture that fosters innovation in long-term sustainable planning.
 - xiii) mature, respectful local-provincial government relationship – a relationship that is entrenched in provincial legislation through the *Community Charter* and *Local Government Act*. The *Community Charter* recognizes local government as “an order of government within their jurisdiction that is democratically elected, autonomous, responsible and accountable”. The *Community Charter* and other legislation require local-provincial consultation on specific issues.
- 3.3.2 UBCM will build on these past actions by playing a leadership role on behalf of its members in the implementation of this Agreement. The UBCM agrees that it will:
- i) ensure, through a Funding Agreement signed between the UBCM and the Eligible Recipient, that the Funds will result in net incremental spending on

Municipal Infrastructure and that there will be no claw back of existing infrastructure spending by Local Governments.

- ii) allocate Funds to Eligible Recipients in accordance with the terms and conditions of this Agreement.
- iii) enforce all terms and conditions of the Funding Agreement in a diligent and timely manner, and seek remedies from non-compliant Eligible Recipients.
- iv) over the life of the Agreement support Integrated Community Sustainability Planning by Local Governments or at some higher level of agglomeration.
- v) ensure, through a Funding Agreement signed between the UBCM and a Local Government, that each local government prepare a Capital Investment Plan in accordance with the *Community Charter* and *Local Government Act*.
- vi) promote Local Government cross-jurisdictional initiatives and local government-First Nations collaborations.
- vii) fulfill its obligations and responsibilities under this Agreement, which include but are not limited to:
 - a) accepting the transfer of gas tax funds from Canada.
 - b) playing a leadership role in the implementation of the Agreement, including but not limited to the administration of the Community Works Fund, the Strategic Priorities Fund and the Innovations Fund.
 - c) transferring the Funds in a timely manner.
- viii) sign a Community Works Fund Agreement with each Local Government and a Strategic Priorities Fund Agreement or an Innovations Fund Agreement with Eligible Recipients prior to the transfer of Funds from the UBCM. The UBCM will enforce all terms and conditions of these agreements. Details of these agreements are outlined in Schedule C.
- ix) monitor progress of Local Government spending decisions through standardized reporting of results, including completion of financial reports for previous years funding, in accordance with generally accepted accounting principles.

- x) evaluate results and report on achievement of Outcomes to Canada and British Columbia with respect to the preparation of the Annual Expenditure Report, the Outcomes Report and the Audit Report.

4 COMMITTEES

4.1 Partnership Committee – Establishment and Duties

Upon execution of this Agreement, the Ministers shall promptly establish a Partnership Committee to be co-chaired by two members — one of whom is to be appointed by the Federal Minister and designated as Federal Co-Chairperson, and one of whom is to be appointed by the Provincial Minister and designated as Provincial Co-Chairperson. This committee shall govern by consensus and shall:

- a) in addition to the co-chairs, consist of two representatives from the UBCM, an additional representative from British Columbia and an additional representative from Canada;
- b) monitor the overall strategic implementation of the Agreement;
- c) develop a framework for Integrated Community Sustainability Planning;
- d) set criteria and establish spending priorities for the Strategic Priorities Fund and the Innovations Fund;
- e) approve a methodology for measuring the incrementality of gas tax funding for Local Governments within 12 months of the signing of this Agreement;
- f) approve the template for the Community Works Fund Agreement, the Strategic Priorities Fund Agreement and the Innovations Fund Agreement.
- g) co-ordinate the development of a plan for the next phases of the New Deal for British Columbia, including:
 - i. developing further elements of the New Deal for British Columbia Cities and Communities;
 - ii. encouraging inter-governmental cooperation in priority setting and program delivery;

- iii. responding to sustainability planning outcomes; and
 - iv. making recommendations for consideration by federal and provincial ministers, the UBCM, First Nations and other affected parties.
- h) manage the resolution of disputes that arise between the Parties in relation to the administration of this Agreement.
- i) develop a set of Outcome indicators that are relevant to Local Governments in British Columbia and that allow for a national reporting.
- j) approve all procedures in respect of its own meetings, including rules for the conduct of meetings and the making of decisions where the members are not physically present in one place.

4.2 Management Committee

A Management Committee will be established to administer and manage the implementation of this Agreement. The Management Committee shall consist of three Local Government members (appointed by the UBCM), one provincial member (appointed by the Minister of Community Services) and one federal member (appointed by the Minister of State (Infrastructure and Communities)). The Management Committee shall be headed by a Chair appointed by the UBCM.

The Management Committee shall approve projects under the Strategic Priorities Fund and the Innovations Fund and be responsible for the more day-to-day aspects of the implementation of this Agreement.

The Management Committee shall support the Partnership Committee. However, project approvals are under the sole authority of the Management Committee.

Schedule D contains details on the role of the Management Committee.

5 CONTRIBUTION PROVISIONS

5.1 Allocation to the UBCM

Canada's total contribution to the UBCM for Environmentally Sustainable Municipal Projects over the term of this Agreement for the benefit of Local Governments in British Columbia is as follows:

Fiscal year	Canada's Contribution
2005-2006	\$76,272,000
2006-2007	\$76,272,000
2007-2008	\$101,696,000
2008-2009	\$127,120,000
2009-2010	\$254,239,000
TOTAL	\$635,599,000

5.2 Payment

Provided there is no default under the terms of section 8.2 of this Agreement, Canada's contribution will be paid in equal semi-annual payments as follows:

The first payment will be made not later than July 1 of each Fiscal Year set out above in subsection 5.1.

The second semi-annual payment will be made not later than November 1 of each Fiscal Year.

In respect of the first Fiscal Year of this Agreement, the first semi-annual payment will be made no later than October 1, 2005. The second semi-annual payment will be made no later than November 1, 2005.

5.3 Appropriations

A payment due by Canada hereunder is conditional on a legislated appropriation for the GTF for the Fiscal Year in which the payment is due.

5.4 Limit on Canada's Financial Commitments

Eligible Recipients may use Funds to pay up to 100% of Eligible Costs of an Eligible Project. However, to the extent an Eligible Recipient is receiving money under an Infrastructure Program in respect of an Eligible Project to which the Eligible Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any Infrastructure Program contribution agreement made in respect of that Eligible Project shall continue to apply.

5.5 Disposal of Eligible Projects

To the extent that the UBCM receives a repayment of all or a portion of a contribution pursuant to the operation of Section 4 of Schedule C, the UBCM shall immediately pay the said amount to Canada or redirect the amount for Eligible Projects consistent with Section 6.4.2.

5.6 Contracting

UBCM agrees that all contracts for the supply of services or materials to Eligible Projects will be awarded in a way that is transparent, competitive, and consistent with value for money principles.

6. ALLOCATION TO LOCAL GOVERNMENTS, DELIVERY MECHANISM AND USE OF FUNDS

Allocation to Eligible Recipients shall be based upon BC Statistics data as of July 1, 2004, but will be modified based on 2006 Census data only for subsequent years and not retroactively.

6.1 Delivery Mechanism

Two complementary component programs – A Community Works Fund (CWF), a Strategic Priorities Fund (SPF) – and an Innovations Fund will be established to support the achievement of the environmental sustainability outcomes of reduced greenhouse gas emissions, cleaner air and cleaner water. A full explanation of the delivery mechanism is detailed in Schedule D.

6.2 Establishment of Tiers

To support the distribution of New Deal funds, British Columbia has been divided into three tiers based on differing community characteristics including population density, degree of urbanization, adjacency of communities to urbanized areas and the need for intra-regional infrastructure. Table 1 outlines the percentage of total per capita allocation that will be delivered through the CWF and the SPF.

Table 1

Community Tier	Applicable Area of BC: Includes both Regional Districts and Municipalities	CWF Proportion of per capita allocation received by a Local Government as a direct entitlement	SPF Proportion of per capita allocation to be pooled
Tier 1	All areas of British Columbia except those areas in Tier 2 and Tier 3	75%	25%
Tier 2	RDOS, CORD, NORD, CRD, CVRD, RDN, FVRD, SLRD*	50%	50%
Tier 3	Greater Vancouver Regional District (GVRD)	Up to 25%	Up to 100%

*Tier 2 means the following collection of regional districts: Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish Lillooet Regional District.

6.3 Community Works Fund

A Community Works Fund will be established to support the achievement of local priorities that are in alignment with the desired outcomes of greenhouse gas emission reduction, cleaner air and cleaner water. The Fund has two elements: an allocation based on population and a funding floor.

- a) The Community Works Fund will disburse funding directly to Local Governments based on a percentage of the per capita allocation, as set out in Table 1, for local spending priorities.

In order to receive Funds, Local Governments must first sign a Community Works Fund Agreement with the UBCM containing, at a minimum, the elements in Schedule C.

- b) A funding “floor” will ensure a reasonable base allocation of funds for Local Governments who receive funding directly under the Community Works Fund. Local Governments will receive:
- 2005/2006 \$25,000
 - 2006/2007 \$25,000
 - 2007/2008 \$31,583
 - 2008/2009 \$38,478
 - 2009/2010 \$50,000

6.4 Strategic Priorities Fund

A Strategic Priorities Fund will provide funding for strategic investments that are larger in scale or regional in impact. This fund will be created by pooling a percentage of the per capita allocation (see Table 1 for percentages).

All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors have requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.

The trigger for funding under the Strategic Priorities Fund is a successful application and a Strategic Priorities Fund Agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.

6.5 Innovations Fund

An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia will be established.

The Management Committee may apply a portion of these funds toward projects and initiatives by Eligible Recipients that reflect an innovative approach to achieving the intended outcomes of reduced green house gas

emissions, cleaner air and cleaner water.

The trigger for funding under the Innovations Fund is a successful application and an Innovations Fund Agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.

The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.

6.6 Use of Funds

- 6.6.1 UBCM agrees that it shall record Canada's contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement.
- 6.6.2 To support the achievement of environmentally sustainable outcomes, the Parties agree that Funds will be paid to Eligible Recipients solely for Eligible Projects identified in Schedule A, and solely in respect of Eligible Costs identified in Schedule B.
- 6.6.3 All administration costs of UBCM in respect of the implementation and management of this Agreement shall be for the account of UBCM, provided that Funds (both principal and interest) may be used by UBCM to pay the administrative costs incurred by UBCM in the delivery of the Funds, or in fulfilling the reporting and audit requirements set out below in Section 7, provided the UBCM develop and submit, in advance, for review by the Partnership Committee and acceptance by the federal Minister, a business case justifying such use of Funds.

6.7 Agreement with Eligible Recipient

UBCM agrees to include, in all Funding Agreements, the elements of the accountability framework outlined in Schedule C, and enforce all terms and conditions of these funding agreements.

7 REPORTING, AUDITS AND EVALUATION

7.1 Reporting

7.1.1 UBCM will:

- a) prepare and deliver to Canada and British Columbia no later than September 30 of each Fiscal Year, in respect of the prior Fiscal Year, an Annual Expenditure Report, and make its best efforts to provide an interim, unaudited version of the Annual Expenditure Report by June 30 of each Fiscal Year; and
- b) prepare, publish and disseminate to the public, by no later than December 30, 2009, and periodically thereafter, an Outcomes Report.

7.1.2 Canada may incorporate all or any part or parts of the said reports into any report that Canada may prepare for its own purposes, including any reports that may be made public.

7.2 Audits

7.2.1 Annual Expenditure Reports will be accompanied by an Audit Report.

7.2.2 UBCM agrees to ensure that proper and accurate accounts and records, including invoices, statements, receipts and vouchers in respect of all Eligible Projects that receive Funds, are kept for at least three (3) years after termination of this Agreement and will, upon reasonable notice, make them available or cause the Eligible Recipient to make them available to Canada for inspection or audit.

7.2.3 Upon request by Canada, UBCM agrees to provide to Canada an audit of any one or more individual Eligible Projects.

7.2.4 UBCM will share with Canada the results of any compliance or performance audit that they may carry out beyond the Audit Report, which examines the use of Funds to a specific extent.

7.2.5 Compliance Audit: The federal Minister or Auditor General of Canada will undertake, at his own cost, an audit of the UBCM to be carried out by such person as the federal Minister or the Auditor General of Canada may appoint to ensure compliance with this Agreement. The UBCM will cooperate and provide access to the appropriate records to conduct such an audit. The

federal Minister or the Auditor General of Canada may share a copy of the resulting report with the UBCM, and agrees to discuss any concerns raised in the compliance audit with the UBCM.

- 7.2.6 Performance Audit: The federal Minister or the Auditor General of Canada may, after consultation with the UBCM, choose to conduct his own performance (value-for-money) audit, to be carried out by such a person as the federal Minister or the Auditor General of Canada may appoint, at his own cost. The UBCM will cooperate and provide access to the appropriate records to conduct such an audit. The federal Minister or the Auditor General of Canada may share a copy of the resulting report with the UBCM and agrees to discuss any concerns raised in the performance audit with the UBCM.

7.3 Evaluation

- 7.3.1 No later than March 31, 2009, Canada, British Columbia and UBCM shall complete a joint formative evaluation of the program set out in this Agreement, the results of which will be made public. The Parties shall seek the input of Eligible Recipients, or representatives thereof, as the Parties deem appropriate.
- 7.3.2 At a minimum, the evaluation will address the issues related to the achievement of the objectives of this Agreement, the use of funding, the effectiveness of the funding approach described in sections 5 and 6 of this Agreement, the Agreement's terms and conditions, including incrementality, and the effectiveness of the Communications Protocol described in Schedule G.
- 7.3.3 The Parties agree to cooperate with respect to the above noted evaluation, the costs of which will be shared equally by the Parties. Canada agrees to consult with British Columbia and UBCM on the design of the evaluation framework.
- 7.3.4 In addition to the foregoing, no later than June 30, 2009, Canada will, at its cost, complete a national evaluation, incorporating the results of the joint bilateral evaluations described above. Canada will share the results of this national evaluation with British Columbia and UBCM, prior to its completion.

8 DISPUTE RESOLUTION, DEFAULT, REMEDIES AND INDEMNITY

8.1 Dispute Resolution

The Parties agree to keep each other informed of any disagreement or contentious issue. Disagreements or contentious issues that cannot be resolved at the bureaucratic level will be brought to the Partnership Committee for review, discussion and resolution. Any issue that cannot be resolved by the Partnership Committee will be submitted to the Ministers and the President for resolution.

8.2 Events of Default

8.2.1 Canada may declare that an event of default has occurred if British Columbia or the UBCM has not complied with any conditions, undertaking or material term in this Agreement.

8.2.1.1 Canada will not declare that an event of default has occurred unless it has consulted with British Columbia and/or the UBCM, as appropriate, and given notice of the occurrence, which in Canada's opinion constitutes an event of default.

8.2.1.2 The UBCM or British Columbia, within 30 days of receipt of the notice, shall either correct the condition or event, or demonstrate, to the satisfaction of Canada, that it has taken such steps as are necessary to correct the condition.

8.2.2 Canada may declare that an event of default has occurred if the UBCM has:

8.2.2.1 Failed to deliver an Annual Expenditure Report, Audit Report or the Outcomes Report, when required;

8.2.2.2 Delivered an Annual Expenditure Report or Audit Report that disclosed non-compliance by either the UBCM or an Eligible Recipient.

8.2.2.3 Canada will not declare that an event of default has occurred unless it has given notice of the occurrence, which in Canada's opinion constitutes an event of default.

8.2.2.4 The UBCM, within 30 days of receipt of the notice, shall either correct the condition or event, or demonstrate, to the satisfaction

of Canada, that it has taken such steps as are necessary to correct the condition.

8.2.3 The UBCM may declare an event of default has occurred if Canada has:

8.2.3.1 Not complied with any condition, undertaking or material term in the Agreement; or

8.2.3.2 Failed to deliver federal gas tax revenues to the UBCM, as specified in sections 5.1 and 5.2 of this Agreement.

8.2.3.3 The UBCM will not declare that an event of default has occurred unless it has consulted with Canada and given notice to Canada of the occurrence, which in the UBCM's opinion constitutes an event of default.

8.2.3.4 Canada will, within 30 days of receipt of the notice, either correct the condition or event, or demonstrate, to the satisfaction of the UBCM, that it has taken such steps as are necessary to correct the situation.

8.3 Remedies

If Canada declares that an event of default has occurred, 30 days after the declaration, it may immediately exercise one or more of the following remedies:

- i) In the case of a default under subsection 8.2.1 above, terminate or suspend its obligation to pay Funds. If Canada suspends payment, it may pay suspended Funds if Canada is satisfied that the default has been cured;
- ii) In the case of any other default, suspend its obligation to pay Funds pending Canada's satisfaction that the default has been cured.

If the UBCM declares that an event of default has occurred, after 30 days of declaration it may suspend or terminate its obligations under the terms of this Agreement, and if suspended, the UBCM may resume its obligations when satisfied the default has been cured.

8.4 Indemnity

The UBCM agrees at all times to indemnify and save harmless Canada, its officers, servants, employees or agents, from and against all claims and demands, losses, costs, damages, actions, suits or other proceedings by whomsoever brought or prosecuted in any manner based upon, or occasioned by any injury to persons, damage to or loss or destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:

- a) all Eligible Projects;
- b) the performance of this Agreement or the breach of any term or condition of this Agreement by the UBCM, its officers, employees and agents, or by a third party, its officers, employees or agents;
- c) the performance of a Funding Agreement, or the breach of any term or condition of a Funding Agreement, by an Eligible Recipient, its officers, employees and agents, or by a third party, its officers, employees or agents;
- d) the design, construction, operation, maintenance and repair of any part of an Eligible Project; and
- e) any omission or other wilful or negligent act of the UBCM or an Eligible Recipient or third party and their respective employees, officers or agents;

except to the extent to which such claims and demands, losses, costs, damages, actions, suits or other proceedings relate to the act or negligence of an officer, employee or agent of Canada in the performance of his or her duties.

9 TERM OF AGREEMENT AND RENEWAL

9.1 Term

This Agreement shall commence on September 19, 2005 and shall expire on March 31, 2015.

9.2 Review

Following the completion of the evaluation described in Section 7.3 above, the Parties may elect to amend the Agreement as appropriate.

10 COMMUNICATIONS

The Parties hereby agree to follow the terms of the Communications Protocol set out in Schedule G hereto.

11 MISCELLANEOUS

11.1 Binding Obligations

Each Party declares to the other that the signing and execution of this Agreement were duly and validly authorized, and that each Party has incurred a legal and valid obligation in accordance with the terms and conditions of the Agreement.

11.2 Survival

The Parties' rights and obligations, set out in Sections 3.3.2 (i), (iii), (v), (viii) and (x), 5.4, 5.5, 6, 7.1, 7.2, 7.3, 8.4, 10, 11.4, and Schedule C will survive the expiry or early termination of this Agreement and any other section which is required to give effect to the termination or to its consequences shall survive the termination or early termination of this Agreement.

11.3 Governing law

This Agreement is governed by the laws applicable in British Columbia.

11.4 Debts Due to Canada

Any amount owed to Canada under this Agreement will constitute a debt due to Canada, which the UBCM will reimburse forthwith, on demand, to Canada.

11.5 No Benefit

No member of the House of Commons or the Senate of Canada will be admitted to any share or part of any Contract made pursuant to this Agreement, or to any benefit arising therefrom.

11.6 No Agency

It is understood, recognized and agreed that no provision of this Agreement and no action by the Parties will establish or be deemed to establish a partnership, joint venture, principal-agent relationship, or employer-employee relationship in any way or for any purpose whatsoever between Canada, British Columbia and the UBCM, or between Canada, British Columbia, the UBCM and a Third Party.

11.7 No Authority to Represent

Nothing in this Agreement is to be construed as authorizing one Party to contract for or to incur any obligation on behalf of the other or to act as agent for the other. Nothing in this Agreement is to be construed as authorizing any Eligible Recipient or any Third Party to contract for or to incur any obligation on behalf of any Party or to act as an agent for any Party, and the UBCM will take reasonable steps to ensure that all Funding Agreements contain provisions to that effect.

11.8 Counterpart Signature

This Agreement may be signed in counterpart, and the signed copies will, when attached, constitute an original Agreement.

11.9 Values and Ethics Code

No person governed by the post-employment, ethics and conflict of interest guidelines of Canada will derive a direct benefit from this Agreement, unless that person complies with the applicable provisions.

11.10 Severability

If for any reason a provision of this Agreement that is not a fundamental term is found to be or becomes invalid or unenforceable, in whole or in part, it will be deemed to be severable and will be deleted from this Agreement, but all the other terms and conditions of this Agreement will continue to be valid and enforceable.

11.11 Waiver

A Party may waive any right under this Agreement only in writing; and any tolerance or indulgence demonstrated by that Party will not constitute waiver

of such right. Unless a waiver is executed in writing, that Party will be entitled to seek any remedy that it may have under this Agreement or under the law.

11.12 Lobbyists and Agent Fees

British Columbia and the UBCM warrant that any person who lobbies, or has lobbied on its behalf, to obtain funding or any benefit under this Agreement, and who is subject to the *Lobbyists Registration Act (Canada)*, is registered accordingly. Furthermore British Columbia and the UBCM warrant that no remuneration based on a percentage of Canada's contribution will be paid to a lobbyist.

11.13 Amendments to the Agreement

If Canada concludes an agreement for similar purposes with any other province or territory of Canada, and that agreement taken as a whole is materially different from this Agreement, British Columbia or the UBCM may ask Canada to agree to amend this Agreement so that, taken as a whole, it affords similar treatment to British Columbia as the other agreement affords to the other province or territory.

Additionally, this Agreement may be amended from time to time on written agreement of the Ministers and the President of the UBCM.

11.14 Notice

Any notice, information or document provided for under this Agreement will be effectively given if delivered or sent by letter, postage or other charges prepaid, or by facsimile or email. Any notice that is delivered will have been received on delivery; and any notice mailed will be deemed to have been received eight (8) calendar days after being mailed.

Any notice to Canada must be sent to:

Assistant Deputy Minister, Cities and Communities
Infrastructure Canada
90 Sparks Street
Ottawa (Ontario)
K1P 5B4

Any notice to British Columbia will be addressed to:

Assistant Deputy Minister, Local Government Department
Ministry of Community Services
PO Box 9490 Stn Prov Gov
Victoria, British Columbia
V8W 9N7

Any notice to the UBCM will be addressed to:

Executive Director
Union of British Columbia Municipalities
60-10551 Shellbridge Way
Richmond, British Columbia
V6X 2W9

Each Party may change the address that it has stipulated by notifying in writing the other Parties of the new address.

SIGNATURES

This Agreement has been executed on behalf of Canada by the Minister of State (Infrastructure and Communities), on behalf of British Columbia by the Minister of Community Services, and on behalf of the Union of British Columbia Municipalities by the President.

GOVERNMENT OF CANADA
Original signed by:

GOVERNMENT OF BRITISH COLUMBIA
Original signed by:

Minister of State (Infrastructure and Communities)

Minister of Community Services

UNION OF BRITISH COLUMBIA
MUNICIPALITIES
Original signed by:

President

**SCHEDULE A- Eligible Project Categories and Sub-Categories by
Community Tier**

Project Categories	Sub-Categories	Tier 1	Tier 2	Tier 3
Public Transit	Develop or improve public transit system (rapid transit, buses, bus ways, sea-buses, commuter rail, ferries, street cars, cycling and pedestrian infrastructure, etc.)	●	●	●
	Road system improvements that encourage a reduction in car dependency (express bus lanes, HOV lanes, park and ride, bike paths, queue, etc.)	●	●	
	Implement innovative technologies that support environmental sustainability	●	●	●
	Rehabilitation of roads and bridges that enhance sustainability outcomes	●	●	
	Paths and trails	●	●	
Community Energy Systems	Improving energy systems through the use of water systems to generate hydro	●	●	
	Community energy systems (wind, solar, thermal, geothermal, etc.)	●	●	
	Alternative energy systems	●	●	
	Alternative energy systems that serve local government infrastructure	●	●	
	Retrofit local government buildings and infrastructure (e.g. water pumps, street lights, etc.)	●	●	
	Reduce the GHG impact of solid waste (e.g. biogas recovery and conversion of biomass to bio-oil)	●	●	
	Fleet vehicle conversion	●		
	Implement innovative technologies that support environmental sustainability	●	●	
Water and Wastewater	Developing or upgrading drinking water systems to improve water quality and reduce water use, increase energy efficiency, and secure water supply in the face of drought	●	●	●

	Developing or upgrading wastewater and storm water systems to improve water quality and improve aquatic habitat	•	•	•
	Implement innovative technologies that support environmental sustainability	•	•	•
	Investments in the enhancement and/or protection of community green space such as streams and natural corridors including habitat protection systems to improve water quality and improve aquatic habitat	•	•	
Solid Waste Management	Develop or improve solid waste collection, treatment and disposal strategies in ways that reduce resource use, or encourage recycling and re-use	•	•	
	Support full cost recovery from users through improved application of user charges	•	•	
	Reduce the environmental impact of solid waste (e.g. composting, bio gas recovery)	•	•	
	Implement innovative technologies that support environmental sustainability	•	•	
Capacity Building	Increase local government capacity to undertake integrated sustainability planning including:			
	Regional growth strategies	•	•	
	Community development plans	•	•	
	Community plans	•	•	
	Community Energy Planning	•	•	
	Transportation plans	•	•	
	Infrastructure development plans	•	•	
	Liquid waste management plans	•	•	
	Solid waste management plans	•	•	
	Long-term cross-modal transportation plans	•	•	
	Water conservation/demand management plans	•	•	
	Drought management contingency plans	•	•	
	Air quality plans	•	•	
	Greenhouse gas reduction plans	•	•	
	Energy conservation plans	•	•	
Implementing/planning innovative environmental technologies that support sustainability	•	•		

SCHEDULE B- Eligible Costs for Eligible Recipients

1. Eligible Costs for Eligible Recipients

1.1 Project Costs

Eligible Costs, as specified in this Agreement, will be all direct costs that are in the Parties' opinion properly and reasonably incurred, and paid by an Eligible Recipient under a contract for goods and services necessary for the implementation of an Eligible Project. Eligible Costs may include only the following:

- a) the capital costs of acquiring, constructing or renovating a tangible capital asset and any debt financing charges related thereto;
- b) the fees paid to professionals, technical personnel, consultants and contractors specifically engaged to undertake the surveying, design, engineering, manufacturing or construction of a project infrastructure asset, and related facilities and structures;
- c) the costs of environmental assessments, monitoring and follow-up programs, as required by the *Canadian Environmental Assessment Act* or a provincial equivalent; and
- d) the costs related to strengthening the ability of Local Governments to develop Integrated Community Sustainability Planning.

1.1.1 Employee and Equipment Costs

The incremental costs of the Local Government's employees or equipment may be included in its Eligible Costs under the following conditions:

- a) the Local Government has determined that it is not economically feasible to tender a contract;
- b) employees or equipment are employed directly in respect of the work that would have been the subject of the contract; and
- c) the arrangement is approved in advance and in writing by the Management Committee.

1.2 Administration Costs

That portion of Funds representing interest earned may be used to pay for administration costs.

2. Ineligible Costs for Eligible Recipients

Costs related to the following items are ineligible costs:

- a) Eligible Project costs incurred before April 1, 2005;
- b) services or works that, in the opinion of the Management Committee are normally provided by the Eligible Recipient or a related party;
- c) salaries and other employment benefits of any employees of the Eligible Recipient, except as indicated in Section 1.1;
- d) an Eligible Recipient's overhead costs, its direct or indirect operating or administrative costs, and more specifically its costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its applicant's staff;
- e) costs of feasibility and planning studies for individual Eligible Projects;
- f) taxes for which the Eligible Recipient is eligible for a tax rebate and all other costs eligible for rebates;
- g) costs of land or any interest therein, and related costs;
- h) cost of leasing of equipment by the Local Government, except as indicated in section 1.1 above;
- i) routine repair and maintenance costs;
- j) legal fees;
- k) administrative costs incurred as a result of implementing this Agreement, subject to 1.2 above; and
- l) audit and evaluation costs.

SCHEDULE C- Eligible Recipient Accountability Framework

Prior to Gas Tax Funding being dispersed to an Eligible Recipient, a Funding Agreement must be signed between the Eligible Recipient and the UBCM. These Funding Agreements will include, but not be limited to, the following:

1. Commitments

Eligible Recipients will:

- a) ensure that Gas Tax Funding will result in net incremental capital spending on Municipal Infrastructure or capacity building.
- b) ensure that Gas Tax Funds will be used only for Eligible Projects (Schedule A) and to pay only Eligible Costs (Schedule B).
- c) implement Eligible Projects in a diligent and timely manner.
- d) during the term of the Agreement, where the Eligible Recipient is a Local Government, undertake Integrated Community Sustainability Planning, either by itself or as part of a regional strategy.
- e) provide, on request of either Canada or UBCM, a copy of the Capital Investment Plan.
- f) permit UBCM and Canada on request, reasonable access to all records relating to all Eligible Projects that have received Funds.
- g) comply, as necessary, with the Communications Protocol set out in Schedule G.
- h) comply with all legislated environmental assessment requirements, and agree that no Funds will be committed to an Eligible Project until all required environmental requirements have been satisfied.
- i) implement all mitigation measures identified in any environmental assessment of the Eligible Project.
- j) award and manage all contracts for the supply of services and/or material to the Eligible Project in accordance with the Eligible Recipient's relevant policies and procedures, and award contracts in a manner that is transparent,

competitive, and consistent with value for money principles.

- k) if Funds are paid to the Eligible Recipient in advance of the Eligible Recipient incurring and paying Eligible Costs, invest such Funds in accordance with British Columbia law and the Eligible Recipients' investment policies.
- l) expend all Funds prior to the termination of this Agreement.
- m) report annually on the use of Gas Tax Funds in accordance with the set of indicators to be established by the Partnership Committee, and to be provided in writing to the Eligible Recipient by the UBCM:
 - submit an annual report to the UBCM, by July 1 of each year, before the next instalment of the Community Works Funds is released and before subsequent payments for a project under the Strategic Priorities Fund or Innovations Fund can be made. The report will provide Eligible Recipient specific information that will allow the UBCM to create the aggregated report as contained in Schedule E.
 - a declaration from the officer responsible for financial administration, that Funds were used in accordance with the Community Works Fund Agreement, must accompany the annual report and that the financial statements were prepared following accounting rules of the Public Sector Accounting Board.
 - provide the UBCM with information on incrementality based on the methodology developed by the Partnership Committee for the purpose of the evaluation as described in Section 7.3.
 - public accountability and reporting requirements for municipalities can be met through the normal cycle of municipalities' progress reporting, as required under the *Community Charter*.
 - public accountability and reporting requirements for regional districts can be met through the normal cycle of regional districts' financial reporting, as required under the *Local Government Act*.
 - accountability and reporting requirements for other entities with respect to the Strategic Priorities Fund and the Innovations Fund will be approved by the Partnership Committee

2. Event of Default

If an Eligible Recipient fails to observe or comply with any of the terms or conditions set out in a funding agreement, including the established spending

criteria, the UBCM, upon the recommendation of the Management Committee, may, at its discretion exercisable by written notice to the Eligible Recipient, reduce, suspend or terminate any further payment.

3. Use of Funds

The Eligible Recipient acknowledges that it may use Funds to pay up to 100% of Eligible Costs of an Eligible Project, provided that to the extent it is receiving money under an Infrastructure Program in respect of an Eligible Project to which the Eligible Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any Infrastructure Program contribution agreement made in respect of that Eligible Project shall continue to apply, and Funds paid to the Eligible Recipient shall be deemed to be a federal contribution under the said contribution agreement.

4. Ownership

The Eligible Recipient shall retain title to, and ownership of, the infrastructure resulting from the Eligible Project for at least ten (10) years after Project completion.

If, at any time within ten (10) years from the date of completion of the Eligible Project, the Eligible Recipient sells, leases, encumbers or otherwise disposes of, directly or indirectly, any asset constructed, rehabilitated or improved, in whole or in part, with funds contributed by Canada under the terms of this Agreement, other than to Canada, British Columbia, a Local Government or a Crown corporation of British Columbia that is the latter's agent for the purpose of implementing this agreement, the Eligible Recipient shall repay the UBCM, on demand, a proportionate amount of the funds contributed by Canada, as follows:

Where Eligible Project asset is sold, leased, encumbered or disposed of:	Repayment of contribution (in current dollars)
Within 2 Years after Eligible Project completion	100%
Between 2 and 5 Years after Eligible Project completion	55%
Between 5 and 10 Years after Eligible Project completion	10%

The Eligible Recipient agrees to notify the UBCM in writing as soon as practicable of any transaction triggering the above-mentioned repayment.

5. Indemnification

The Eligible Recipient shall indemnify and save harmless Canada and the UBCM, their officers, servants, employees or agents, from and against all claims and demands, losses, costs, damages, actions, suits or other proceedings by whomsoever brought or prosecuted in any manner based upon, or occasioned by any injury to persons, damage to or loss or destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:

- a) all Eligible Projects;
- b) the performance of the Funding Agreement, or the breach of any term or condition of the Funding Agreement, by the Eligible Recipient, its officers, employees and agents or by a third party, and any of its officers, employees, servants or agents;
- c) the design, construction, operation, maintenance and repair of any part of an Eligible Project; and
- d) any omission, or other wilful or negligent act of the Eligible Recipient or third party and their respective employees, officers, servants or agents.

except to the extent to which such claims, demands, losses, costs, damages, expenses, actions, suits or other proceedings relate to an act of negligence of an officer, employee or agent of the UBCM.

SCHEDULE D - Delivery Mechanism

Two complementary component programs — A Community Works Fund (CWF), a Strategic Priorities Fund (SPF) — and an Innovations Fund will be established to support the achievement of the environmental sustainability outcomes of reduced greenhouse gas emissions, cleaner air and cleaner water.

Component Program 1: Community Works Fund

A Community Works Fund will be established to support the achievement of local priorities that are in alignment with the desired outcomes of greenhouse gas emission reduction, cleaner air and cleaner water. The fund has two elements: an allocation based on population and a funding floor.

- a) The Community Works Fund will disburse funding directly to Local Governments based on a percentage of the per capita allocation for local spending priorities (See Table 1 for percentages).

The percentage of per capita share that a given Local Government would receive would be based on individual community characteristics. For example, remote and/or less densely populated communities, as represented by Tier 1 and Tier 2 communities, will receive a relatively larger proportion of their share of New Deal funding under the Community Works Fund as their spending priorities will tend to be community specific. The table below illustrates the proportional amount of Funds that will be allocated under the Community Works Fund, by tier.

Table 1

Community Tier Includes both Regional Districts and Municipalities	Proportion of per capita calculation received by a Local Government as a direct entitlement
Tier 1 All areas of British Columbia except those areas in Tier 2 and Tier 3	75%
Tier 2 RDOS, CORD, NORD, CRD, CVRD, RDN, FVRD, SLRD*	50%
Tier 3 Greater Vancouver Regional District (GVRD)	Up to 25%

*Tier 2 means the following collection of regional districts: Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley

Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish Lillooet Regional District.

To provide flexibility for communities to finance local spending priorities, Local Governments may choose to borrow against future year allocation amounts, consistent with Local Government legislation, in order to finance Community Works Fund spending priorities.

b) A funding “floor” will ensure a reasonable base allocation of funds for Local Governments who receive funding directly under the Community Works Fund. Local Governments will receive:

- 2005/2006 \$25,000
- 2006/2007 \$25,000
- 2007/2008 \$31,583
- 2008/2009 \$38,478
- 2009/2010 \$50,000

Local Governments receiving funding under the Community Works Fund will first enter into a Community Works Fund Agreement with the UBCM which will include, at a minimum, the elements contained in Schedule C. The amount of funding provided under individual Community Works Fund Agreement may vary, reflecting the scope of services provided by the Local Government as they relate to the scope of Eligible Projects, but only may vary the funding by formulas established or criteria prescribed by the Partnership Committee following consultation with any affected Local Governments.

Component Program 2: Strategic Priorities Fund

A Strategic Priorities Fund will provide funding for strategic investments that are larger in scale or regional in impact that support the achievement of reduced greenhouse gas emissions, cleaner air and cleaner water through investment. Eligible projects may include multi-year capital investments in environmentally sustainable municipal infrastructure and or capacity building.

The Strategic Priorities Fund is a pooled fund derived from the per capita calculation. British Columbia has been divided into three tiers reflecting differing community characteristics, including population density, degree of urbanization, adjacency of communities to urbanized areas and the need for intra-regional

infrastructure. Table 2 below illustrates the proportional pooling of Funds in British Columbia, by tier, for the purposes of the Strategic Priorities Fund:

Table 2

Community Tier Includes both Regional Districts and Municipalities	Proportion of per capita calculation to be pooled
Tier 1 All areas of British Columbia except those areas in Tier 2 and Tier 3	75%
Tier 2 RDOS, CORD, NORD, CRD, CVRD, RDN, FVRD, SLRD*	50%
Tier 3 Greater Vancouver Regional District (GVRD)	Up to 25%

*Tier 2 means the following collection of regional districts: Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish Lillooet Regional District.

The Strategic Priorities Fund will provide funding for Eligible Recipients projects on an application basis. All Eligible Recipients will be eligible to apply for funding of projects under the Strategic Priorities Fund. The GVRD Board of Directors have requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.

The trigger for funding under the Strategic Priorities Fund is a successful application and a funding agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.

The Partnership Committee will be responsible for setting criteria and spending priorities for the Strategic Priorities Fund.

The Management Committee shall be responsible for approving projects submitted under the Strategic Priorities Fund, and approving any material changes to the scope of a project approved under the Strategic Priorities Fund.

The Management Committee may make recommendations to the UBCM regarding decisions to reduce, suspend or terminate funding of an approved project for failure to comply with any of the terms or conditions of any Funding agreement made between the applicant and the UBCM.

The Management Committee will monitor and evaluate projects approved under the Strategic Priorities Fund in terms of achievement of intended results.

The Management Committee shall not consider cost overruns on Eligible Projects approved under the Strategic Priorities Fund other than in exceptional circumstances where:

- (a) the entity implementing the Eligible Project informs the Management Committee as soon as it becomes aware that a cost overrun is probable;
- (b) the Management Committee approves the inclusion of the cost overrun as justifiable; and
- (c) Funds are available to cover the cost overrun.

Innovations Fund

An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia will be established.

The Management Committee may apply a portion of these funds toward projects and initiatives by Eligible Recipients that reflect an innovative approach to achieving the intended outcomes of reduced green house gas emissions, cleaner air and cleaner water.

The trigger for funding under the Innovations Fund is a successful application and an Innovations Fund Agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.

The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.

SCHEDULE E – Reporting and Audits

1. Reporting

1.1 Annual Expenditure Report

- 1.1.1 The Annual Expenditure Report will report on the:
- Amounts received from Canada under this Agreement;
 - Amounts paid to Eligible Recipients;
 - Amounts received from Canada for future payments to Eligible Recipients;
 - Amounts paid by Eligible Recipients in aggregate for Eligible Projects;
 - Amounts held at year-end by Eligible Recipients in aggregate to be paid for Eligible Projects.
- 1.1.2 The Annual Expenditure Report will also indicate in a narrative the progress that UBCM has made in meeting its commitments and contributions.
- 1.1.3 The Annual Expenditure Report will also include the following information:
- A listing of all Eligible Projects that have been approved for funding, indicating the location, investment category, amount and identity of all sources of funding, nature of the investment and expected outcomes, as identified in Schedule E. If SIMSI is used to provide project information, there is no need to provide above information in the Annual Expenditure Report.
- 1.1.4 In the case of Eligible Recipients with a year-end other than March 31, and with the prior approval of UBCM, the Annual Report may include information in respect of Eligible Projects related to that Eligible Recipient to the year-end of that Eligible Recipient.

1.1 Outcomes Report

The Outcomes Report will report on the cumulative investments made, including information on the degree to which these investments have actually contributed to the objectives of cleaner air, cleaner water and reduced GHG emissions.

2. Audit Report

The Audit Report, which includes the results of financial and compliance audits, will provide an opinion as to whether all of the information contained in the Annual Expenditure Report is complete and accurate, and whether UBCM has complied with all material provisions of this Agreement.

Annual Expenditure Report – Template Reporting Format for Funding Flows

	Annual	Cumulative
	01/04/20xx – 31/03/20xy	Date of signing – 31/03/20xy
UBCM		
Opening balance of unspent funding		xxx
Received from Canada	xx	xxx
Transferred to Eligible Recipients	(xx)	(xxx)
Closing balance of unspent funding		xxx
Eligible Recipients in aggregate		
Opening balance of unspent funding		xxx
Received from UBCM	xx	xxx
Spent on eligible projects	(xx)	(xxx)
Closing balance of unspent funding		xxx

SCHEDULE F- Outcomes and Outputs

The impact of the use of the Funds will be measured through a set of indicators to be developed by the Partnership Committee as soon as possible:

Outcomes:

- a) Cleaner Air: *[DETERMINE INDICATOR]*
- b) Cleaner Water: *[DETERMINE INDICATOR]*
- c) Lower GHGs: *[DETERMINE INDICATOR]*

Outputs:

- a) Community Energy Systems: *[DETERMINE INDICATOR]*
- b) Public Transit Infrastructure: *[DETERMINE INDICATOR]*
- c) Water Infrastructure: *[DETERMINE INDICATOR]*
- d) Wastewater Infrastructure: *[DETERMINE INDICATOR]*
- e) Solid waste: *[DETERMINE INDICATOR]*
- f) Local Roads and Bridges: *[DETERMINE INDICATOR]*
- g) Capacity Building: *[DETERMINE INDICATOR]*

SCHEDULE G- Communications Protocol

Canada, British Columbia and the UBCM agree that Canadians have a right to transparency and public accountability, which is best served by full information about the benefits of the New Deal for Cities and Communities.

This communications protocol establishes the principles and practices that will guide all announcements and events related to this Agreement, funding to Eligible Recipients under this Agreement and the New Deal. Communications activities may include, without limitation, major public events or announcements, or communications products such as speeches, press releases, websites, advertising, promotional material or signage.

The Parties agrees that:

In addition to joint communications activities, Canada, British Columbia and UBCM may include messaging in their own communications products and activities, around their commitment to the New Deal, and other initiatives and investments in cities and communities.

The Government of Canada agrees that:

1. It will make periodic announcements, through public events, press releases and/or other mechanisms, of the transfer of federal gas tax revenues to British Columbia for allocation to local governments within its jurisdiction.
2. It will make regular announcements, on a city, community or regional basis, of projects that have benefited from federal gas tax funds. Key milestones may be marked by public events, press releases and/or other mechanisms.
3. It will report regularly to the public on the outcomes of the investments entered into under this Agreement, including through the Treasury Board Secretariat Canada's Annual Performance Report, and through the National Evaluation described in Section 7 of this Agreement.

British Columbia and UBCM agree that:

1. All communications referring to projects funded under this Agreement will clearly acknowledge the contributions made by Canada.

2. All communications materials referring to the sharing of federal gas tax revenues with Eligible Recipients will recognize that this initiative forms part of the New Deal through the use of the Canada wordmark and of a tagline.
3. UBCM's Funding Agreements will include the provisions included in this Protocol, particularly that:
 - a. All communications by the Eligible Recipient referring to projects funded under this Agreement will clearly recognize Canada's investments.
 - b. Eligible Recipients will ensure permanent signage at the location of projects receiving investments under this Agreement, prominently identifying the Government of Canada's investment and including the Canada wordmark. Where there is no fixed location for signage, such as a transit vehicle, a prominent marker will recognize the Government of Canada's contribution. All signage/plaques will be located in such a way as to be clearly visible to users, visitors and/or passersby.

General

1. The timing of public events shall be sufficient to allow for all orders of government to plan their involvement. Either Party shall provide a minimum of 21 days notice of an event or announcement.
2. The Parties agree that they and Eligible Recipients will each receive appropriate recognition in joint communications materials.
3. Joint communications material and signage will reflect Government of Canada communications policy, including the *Official Languages Act*, and federal-provincial/territorial identity graphics guidelines. Costs related to announcements and signage in the French language will be the responsibility of Canada.

Assessment

Communication results will be assessed as part of the evaluation process set out in Section 7.3.2 of the Agreement.

SCHEDULE H – Integrated Community Sustainability Planning

Local Governments in British Columbia are recognized within Canada and internationally as being well advanced in terms of the quality of plans that have been produced. Community plans are in place for all municipalities as well as for BC's heavily settled rural areas. Long-range strategic regional plans are in place for the province's major urban areas.

BC local governments operate under a legislative framework that requires multi-year financial planning, both operating and capital expenditures; and BC local governments are required to link their land use planning to their capital planning. Community involvement is required for both land use and financial planning. BC communities are also required to have solid waste plans and, where appropriate, liquid waste plans. Planning for other infrastructure, including transportation and parks, is also well advanced in British Columbia's major urban areas and in many other communities.

Notwithstanding that planning is relatively well developed in BC, the provincial government and UBCM recognize that sustainable communities will require further advances in the breadth of planning as well as in the level of integration of various types of plans. The New Deal, in combination with other provincial programs such as Smart Development Partnerships and Regional Growth Strategies, provides an opportunity to enable local governments to elevate their planning activities to a significantly higher level.

The Partnership Committee will play an important role in advancing planning in BC, by providing a framework for integrated sustainability planning for communities and regions. This framework will include environmental, economic, social and cultural elements of sustainability. The Partnership Committee will, over the life of this Agreement, encourage local governments to bring their plans in line with this framework, and will monitor progress and adjust New Deal spending priorities in this regard.