

# 2009-2010

## Annual Expenditure Report



## GAS TAX & PUBLIC TRANSIT AGREEMENTS IN BC

This Annual Expenditure and Audit Report for the period April 1, 2009 to March 31 2010 is made pursuant to the Canada – British Columbia – UBCM Agreement on the Transfer of Federal Gas Tax Revenue (Gas Tax Agreement) and the Agreement on the Transfer of Public Transit Funds (Public Transit Agreement).

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# EXECUTIVE SUMMARY

## Gas Tax – Five Years in

2009-2010 marks the fifth year of the Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement or GTA). In these five years, the Gas Tax program has provided over \$528 million in funding to local governments and other eligible recipients for sustainable infrastructure projects that lead to cleaner air, cleaner water, and reduced greenhouse gas emissions.

2010-2011 will mark the beginning of the second phase of the Gas Tax Agreement. Program funding has been extended for another four years to 2014, committing a further billion dollars to local governments to advance sustainability projects.

## Program Highlights

Over the past year, UBCM has maintained its strong commitment to the principles of program efficiency, program advancement, delivering results, communicating benefits to communities, and low-cost program delivery.

This year has seen a significant increase in funds received, projects funded and projects completed in all program areas. Recipients have reported that more than one thousand projects are now in various stages of completion. The Innovations Fund, General Strategic Priorities Fund and Regionally Significant Projects Fund have seen the most dramatic increases to projects both underway and completed.

UBCM continues to administer the GTA and is responsible for developing this Annual Expenditure Report for April 1, 2009 to March 31, 2010.

## Public Transit Agreement

The Agreement on the Transfer of Funds for Public Transit (Public Transit Agreement or PTA) has provided over \$52 million to eligible recipients towards projects which contribute to a reduction in greenhouse gas emissions, reduced smog-forming emissions and increased transit ridership. As all of the PTA funding was allocated in 2009, it is expected that all projects will be completed in the coming year.

One of the principle commitments of eligible recipients under the GTA is to ensure that the funding results in net incremental capital spending on infrastructure and capacity building projects. The underlying objective of this requirement is to ensure that Gas Tax funding is being used for infrastructure and planning projects over and above what local governments would have spent without these funds. In accordance with the methodology developed by the program's Partnership Committee, recipients in British Columbia have met their incrementality commitments for the first five years of the program.



The long-term benefits of the GTA and PTA are becoming more apparent in communities across the province as hundreds of sustainable infrastructure projects have been completed. These benefits were highlighted in the UBCM 2009 Gas Tax Outcomes Report, which gathered data for 343 Gas Tax funded projects from 2005-2008. The Outcomes Report showed the Gas Tax Fund is achieving measurable outcomes, including:

- Over 50 km of new bike lanes and paths;
- Thousands of tonnes of waste per annum diverted from landfills;
- 11,806 meters of new drainage culverts, water and wastewater pipes;
- Reduced energy consumption equivalent to 408 tonnes of CO<sub>2</sub> annually; and
- Thousands of residents accessing treated water.

In addition to the achievement of environmental outcomes, the GTA and PTA are also providing a host of additional benefits to communities such as improved safety and mobility. We are pleased to once again highlight these co-benefits in our Annual Expenditure Report.



## GTA/PTA OVERVIEW

The Gas Tax Agreement is a tri-partied agreement between the federal government, the province and UBCM in which federal funding is transferred to local governments and other eligible recipients for sustainable infrastructure and capacity building projects. The GTA, signed on September 19, 2005, committed more than \$635 million over five years to recipients for projects that reduced greenhouse gas emissions, or resulted in cleaner air or cleaner water. On March 17, 2008, an extension agreement was signed, which committed a further \$1 billion in Gas Tax funding to March 31, 2014.

### Gas Tax Project Categories

Public Transit  
Community Energy Systems  
Water and Waste Water  
Solid Waste  
Capacity Building

6

The Public Transit Agreement allocated over \$52 million to existing public transit systems and their local government partners for spending on a range of projects that contribute to reduced greenhouse gas emissions, reduced smog-forming emissions and increased transit ridership. The GTA and PTA are administered by UBCM.

### Public Transit Project Categories

Developments or Improvements in Public Transit Systems  
Road System Improvements that Reduce Car Dependency  
Innovative Public Transit Technology  
Paths and Trails for Commuting



## Tier System

A community tier system has been developed for the GTA based on differing community characteristics including population density, degree of urbanization and the need for intra-regional infrastructure. Recipients are eligible to receive funding from the various streams of the GTA in accordance with this tier system.

Community Tier	Jurisdiction
Tier 1	All areas of British Columbia except the Stikine and those areas in Tiers 2 and 3
Tier 2	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 and their member municipalities.
Tier 3	Greater Vancouver Regional District (Metro Vancouver) and its member municipalities.

## Funding Streams

The funding mechanism under the Gas Tax Agreement consists of three funding streams – a General Strategic Priorities Fund, an Innovations Fund and Community Works Fund.

General Strategic Priorities Fund	Innovations Fund	Community Works Fund
<ul style="list-style-type: none"><li>Includes Regionally Significant Projects Fund for Tier 2</li><li>Provides funding for strategic investments that are larger in scale or regional in impact</li><li>Federal Gas Tax funding is used towards transportation investments throughout the Greater Vancouver Regional District through a Strategic Priorities Fund Agreement with TransLink.</li></ul>	<ul style="list-style-type: none"><li>All Local Governments are eligible</li><li>Provides funding for projects which reflect an innovative approach to achieving the outcomes of reduced greenhouse gas emissions, cleaner air and cleaner water.</li></ul>	<ul style="list-style-type: none"><li>Supports the achievement of local priorities through an allocation based on population and a funding floor.</li><li>All local governments outside the GVRD are eligible to receive funding under the Community Works Fund.</li></ul>



## 2009-2010 PROJECT HIGHLIGHTS

### BC Transit – Whistler

The transit system in the Resort Municipality of Whistler provides service to over 2.8 million passengers per year and is home to the world's largest hydrogen fuel cell bus fleet. To service this fleet, BC Transit constructed a hydrogen fueling station and maintenance facility with combined PTA, GTA, provincial and municipal funds. The facility is equipped with six maintenance bays, diesel and hydrogen fuelling stations, an operations building, and 36 sheltered stalls. The site also includes a number of stormwater enhancements such as oil separators and a bio-filtration pond. The hydrogen bus fleet went into service in time for the 2010 Olympic and Paralympic Winter Games and will reduce the transit system's carbon intensity per passenger by 43%.



### TransLink – Metro Vancouver

Stable Gas Tax funding during 2009-2010 helped TransLink to take further steps towards the realization of *Transport 2040*, the long-term transportation strategy for the Metro region. Funding was applied to the following investments:

- New hybrid buses to replace and expand fleet;
- Upgraded facilities to maintain the growing transit fleet;
- New SkyTrain cars to increase capacity; and
- Replacement customized vehicles to better serve customers with mobility needs.

These improvements contributed to a 5.1% growth in ridership and improved customer satisfaction results across the system. TransLink's transit system also played a vital role during the 2010 Olympic and Paralympic Winter Games by moving a record 26 million riders and reducing vehicle traffic by 36%.



## Prince George

The McMillan Creek Bridge connects the residential and industrial lands along Pulpmill Road with the City of Prince George's urban core. When the City determined that the crossing was failing, an opportunity was provided to address longstanding concerns with the bridge's original twin culvert construction. By using Gas Tax funds to construct a box girder design, the bridge is no longer classified as a barrier to the movement of fish and has improved aquatic habitat by increasing the amount of daylight into the creek bed. The design also included a pathway into the bridge's abutment, providing safe pedestrian access to the Nechako River and the City's Heritage Trail Network.



## Fort St. John

The City of Fort St. John has one of the youngest populations in Canada. To meet the needs of active residents, Fort St. John has established new goals to expand active transportation options throughout the community. The recently completed 100 St pedestrian and cycling trail links several neighbourhoods with the City's downtown along an arterial road. The 1 km paved trail is three meters wide and includes rest areas and LED lighting. The trail is also connected to an expanding trail network that now encloses more than half of Fort St. John. The 100 St. trail is projected to increase the number of commuters who choose cycling or walking.

## Capital Regional District

The Capital Regional District is using Gas Tax funding to design and construct the first phase of a district energy system at the Saanich Peninsula Waste Water Treatment Centre. The heat recovery system will capture thermal energy from effluent to provide hot water and space heating in the treatment plant. The system includes an innovative design that will extend the standard range for district energy distribution by 20%, facilitating service delivery to a neighbouring recreation center, research station, and elementary school. The first phase of the project will reduce GHG emissions by 95% over conventional heating technologies and decrease energy consumption by 11,754 gigajoules annually.



## Nakusp

The Village of Nakusp is upgrading its arena to meet LEED certification standards. The centerpiece of this Gas Tax funded project is the replacement of an ice plant that used a hydrochloroflourocarbon-based refrigerant. The new system will use a non-ozone depleting refrigerant and will include a heat recovery system to provide hot water heating in the facility. Other upgrades include the addition of solar panels and a battery system that will provide 6kW of energy and provide a backup for the electrical system. The building's lighting has also been replaced with induction fixtures that use 50% less energy than the previous fixtures.



## Vernon

The BX Creek near the City of Vernon has been subject to repeated flooding and a diminished fish habitat in recent years. Both changes are due to the flow of sediment into the creek as a result of increased activity in the watershed, including road sanding, resort development, recreational trail usage and agriculture. To reduce the amount of sediment entering the creek, Vernon has used Gas Tax funds to construct a sediment trap and debris pond at the creek's juncture with two roads. This preventative work has been coupled with rehabilitation measures to reestablish the creek channel and improve the flow of water.



## Columbia Shuswap Regional District

The Columbia Shuswap Regional District (CSRD) recently acquired the abandoned Reedman and MacArthur Heights water systems, in accordance with priorities established in its Water Utility Acquisition Strategy (profiled in UBCM's 2008 AER). The CSRD is now completing a project with Gas Tax funds to rehabilitate the two systems. By decommissioning the Reedman reservoir and combining the two systems, the residents formerly serviced by Reedman are able to drink water from their taps for the first time in nearly 20 years. Upgrades have also been completed at the MacArthur reservoir, including a new intake line and a refurbished treatment plant. The new treatment system will include dual train filtration, ultra violet disinfection and chlorine disinfection. As a direct result of this project, more than 400 people will receive cleaner drinking water.

## 100 Mile House

Following a water quality analysis indicating significant levels of pollutants in Little Bridge Creek, the District of 100 Mile House undertook a project to treat and divert stormwater from the creek's catchment area. The first step in this Gas Tax project was to construct an interceptor sewer that collected flows from the three catchment area outfalls. A hydrodynamic separator was installed which is projected to remove up to 80% of the annual sediment previously discharged into the creek. The majority of flows from the separator are now directed to a constructed wetland where additional water treatment occurs through the settlement of suspended particles and biological processes. The project has resulted in treatment of approximately 90% of the highway, commercial and residential runoff from the catchment area.



## Thompson Nicola Regional District

Thompson Nicola Regional District (TNRD) has used Gas Tax funding to rehabilitate the Pritchard Sewage Treatment plant. TNRD improved the design of the facility by incorporating a sludge removal system with new tanks and pumps. The existing UV unit and was refurbished and a secondary UV process was installed to achieve further gains in effluent quality. New controls and electrical upgrades were also added, including the improvement of the gas monitors and alarms.



## Regional District of Nanaimo

The Regional District of Nanaimo is redeveloping the Church Road Solid Waste Transfer Station to keep pace with increasing regional demand. The improvements will include a new transfer station building and an innovative on-site stormwater treatment system. In 2007, the CRTS handled 29,517 tonnes of material, 30% more than planned for in the original design. The new CRTS is designed to accommodate continuous growth, allowing it to process up to 105,978 tonnes of solid waste annually by 2026. The redeveloped CRTS will also play a key role in the region-wide expansion of residential food waste collection. This new service is expected to divert more than 12,500 tonnes of methane producing organic waste per year to a composting facility. Operations at the new CRTS will also reduce annual greenhouse gas emissions equivalent to more than 8,200 tonnes of CO<sub>2</sub>.



## Revelstoke

The City of Revelstoke is using Gas Tax funding to implement an innovative approach to community planning that will result in a Unified Development Bylaw (UDB). The UDB will utilize *SmartCode*, a form-based approach to planning that combines subdivision and zoning bylaws. A form-based code aims to achieve a specific physical outcome, with less emphasis on uses and more on general character. The new format will shift city plans from written rules to a set of visual images that demonstrate the kind of development that is allowed. When completed, the UDB will facilitate the implementation of the sustainability principles adopted under the Official Community Plan, including the decentralization of Revelstoke through the creation of several neighbourhood centres. Revelstoke's UDB project is one of the first of its kind in Canada.



# COMMUNITY PROFILE: DISTRICT OF SAANICH

As described in the Overview, the Gas Tax and Public Transit Agreements were designed to achieve a specific set of environmental outcomes, and the achievement of these outcomes is the standard by which the programs are measured. However, the measurement of outcomes alone does not convey the programs' full value to communities. By virtue of the funding framework and the co-benefits of capital projects, the Gas Tax and Public Transit Funds are improving communities in wide variety of ways. In order to portray some of these benefits, we will profile the use of funds in the District of Saanich over the first five years of the Gas Tax Agreement.

## Saanich Gas Tax Funding At a Glance:

Population: 113,516  
Total Revenue (2009): \$151,581,210  
Allocated Gas Tax Funding Received (2005-2010): \$10,306,952  
Projected Gas Tax Allocation (2005-2014): \$19,189,935  
Pooled Gas Tax Funding Received: \$288,000  
Gas Tax Projects Completed: Royal Oak Transit Exchange  
Sustainable Saanich Action Plan  
Gas Tax Projects Underway: Tattersall Road Upgrades

## Long Term, Stable Funding

In 2009, Saanich received nearly 2% of its annual revenue from Community Works Fund allocations.<sup>1</sup> While this amount represents a comparatively small portion of Saanich's annual revenue, the delivery of these funds through an allocation process enhances their utility for fiscal management. By providing funding twice annually in accordance to a formula over a multi-year period, the Community Works program provides funds in a way that is equitable, predictable and stable. Unlike application-based programs, which are competitive and leave some projects unfunded, all eligible local governments benefit from allocation-based funding.<sup>2</sup> The predictability and stability of these allocations over multiple years also maximizes the strategic use of the funds. In Saanich's case, Gas Tax funds have been integrated into their capital planning process to supplement the cost of replacing aging infrastructure. Saanich's target for sustainable replacement is

approximately \$35 million per year, with current expenditures running at 50% of this target. The annual Gas Tax contribution of more than \$3 million per year is assisting Saanich as it moves towards budgeting the full annual replacement of its infrastructure.

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<sup>1</sup> Figures are based on the District of Saanich 2009 Financial Statement and the 2009 Gas Tax allocation of \$3,005,209.

<sup>2</sup> Every local government in BC receives allocated Community Works funds with the exception of Metro Vancouver and its member local governments. At the request of Metro Vancouver, all Gas Tax funds for the region are directed towards TransLink.

## Flexible, Efficient Management

A further benefit of the Community Works Fund is that it provides recipients with greater control than most funding programs. Local governments may combine allocated funding over multiple years up to March 31, 2015 and retain the interest for use in eligible projects. By having greater flexibility to determine the start-up for projects, Saanich is able to take advantage of market conditions, leverage additional funding, and save funds over a number of years to undertake projects that are larger in scale. This feature of the program has allowed Saanich to undertake two of the largest projects in the province funded through Gas Tax allocations: the \$3.2 million Royal Oak Transit Exchange and the \$3.1 million Tattersall Road Upgrade.

in other communities. The *Sustainable Saanich Action Plan* has also won several awards, including the 2008 Community Excellence Award in Leadership and Innovation for Large Communities. For more on the plan, visit

[www.saanich.ca/living/climate/plan.html](http://www.saanich.ca/living/climate/plan.html)

## Improving Mobility, Accessibility and Safety

Public transit projects funded through the Gas Tax Fund typically provide a broad range of benefits to communities. Saanich's Royal Oak Transit Exchange is a vital hub in the region's transit system, linking the Saanich Peninsula with the University of Victoria, Royal Roads University, and downtown Victoria. The location of the exchange evolved slowly following the construction of an adjacent intersection in the 1970's, but lacked amenities to encourage public access. The redesigned exchange integrated substantial pedestrian and cycling improvements to make

## Supporting Innovation, Building Capacity

The Gas Tax Fund also supports local government innovation. In order to build capacity in the area of community sustainability, Saanich received a grant from the Gas Tax Fund to develop the *Sustainable Saanich Action Plan*. The plan has two core components: a Climate Change Action Plan, to set targets for reducing operational and district-wide greenhouse gas emissions; and a Climate Change Adaptation Plan, which will identify activities to reduce the effects of climate change. The Action Plan commits Saanich to reduce greenhouse gas emissions by 33% in the community and 50% in municipal operations by 2020. One of the key drivers for achieving the operational goal is a commitment to earmark funds that will support local initiatives such as solar hot water systems, photo-voltaic systems, building retrofits and urban forestry. Saanich has become a recognized leader in the area of community sustainability, and their work has provided tools and resources that have been adopted

*“When infrastructure funding is crunched into a tight time frame, it tends to affect contract pricing and project choice. The flexibility of Gas Tax funding coupled with a reporting scheme that is transparent and simple to manage reflects well on the design of the program.”*

– Paul Murray, Saanich Chief Financial Officer



the approaches safer and encourage trips that combine multiple modes. This project also improved the accessibility of the site, by replacing gravel shoulders with sidewalks and incorporating barrier-free curb ramps at the crosswalks. The exchange itself was redesigned with “saw-tooth” bus bays to allow for independent departure and arrival of transit vehicles, improving the efficiency of transfers and scheduling. The upgraded exchange has increased the routes served from 8 to 13, facilitating a 37% service increase along these routes by 2012.

### Strengthening Regional Partnerships

The Royal Oak Exchange is also a good example of a local government project that provides a larger regional benefit. The conceptual planning, detailed design, and construction management for the exchange were the result of a co-operative effort between the provincial Ministry of

Transportation, BC Transit and the Saanich engineering department. The routes that pass through the exchange serve the majority of the thirteen member municipalities and three electoral areas within the Capital Region. In turn, Saanich residents have benefited from investments through the PTA and RSP fund that were provided to the Victoria Regional Transit Commission (VRTC), of which Saanich is a member. These investments supported the purchase 16 new double deck buses, providing the VRTC’s largest fleet expansion in over a decade and increasing service across the region by 7%.

### Providing Outcomes and Benefits

In Saanich, it is clear that the GTA and PTA are delivering multiple benefits for local residents. From the perspective of local government management, the combination of stable, long term funding within a







flexible, clear accountability framework allows recipients to maximize investments. The programs also provide a valuable source of funding that supports the efforts of local governments to close the gap on the infrastructure deficit. In addition, capital and capacity building projects are supporting innovative work, enhancing safety, improving accessibility and regional mobility. Taken together, these benefits augment and reinforce the environmental outcomes that are the primary focus of the program.

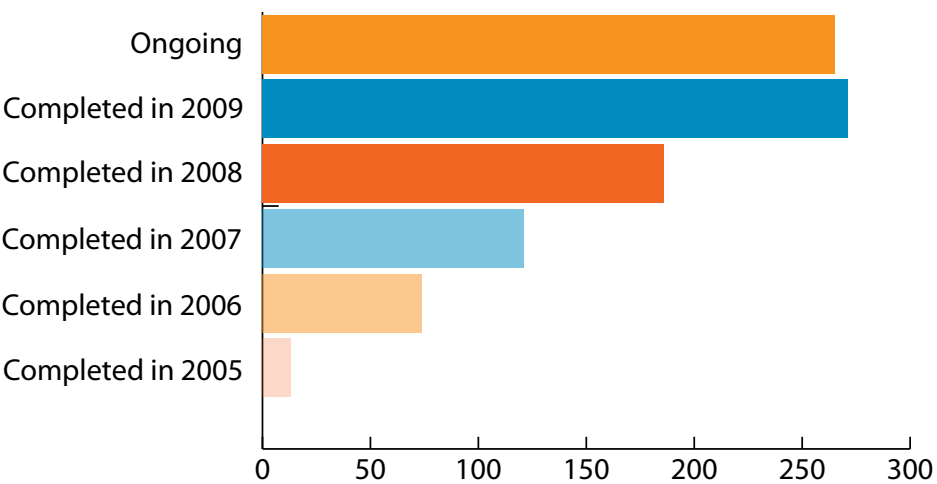
# PROJECTS FUNDED – GAS TAX AGREEMENT

## Projects reported and completed

In 2009, 312 new GTA projects were reported, an increase of 18% from 2008. A cumulative total of 1002 projects have been reported over the five years of the program.

This reporting year saw a 40% increase in projects completed from last year. This significant increase can be attributed to a number of Innovations Fund, Strategic Priorities Fund, and Regionally Significant Projects Funds projects completed from intakes in 2007 and 2008.

## 5.1 - Gas Tax projects completed by year



Over the five years of the Gas Tax Agreement, a total of 665 projects have been reported complete with another 265 projects ongoing or near completion.

Table 5.1 shows the total reported completed Gas Tax projects by year over the five years of reporting. The table also shows the number of projects reported as ongoing or near completion.

## Gas Tax spending

The total reported Gas Tax spending by recipients for 2009-2010 was \$120.5 million and the total amount allocated was \$217.1 million. Each figure represents an increase over the previous reporting period.

## Innovations Fund, General Strategic Priorities Fund and Regionally Significant Projects Fund

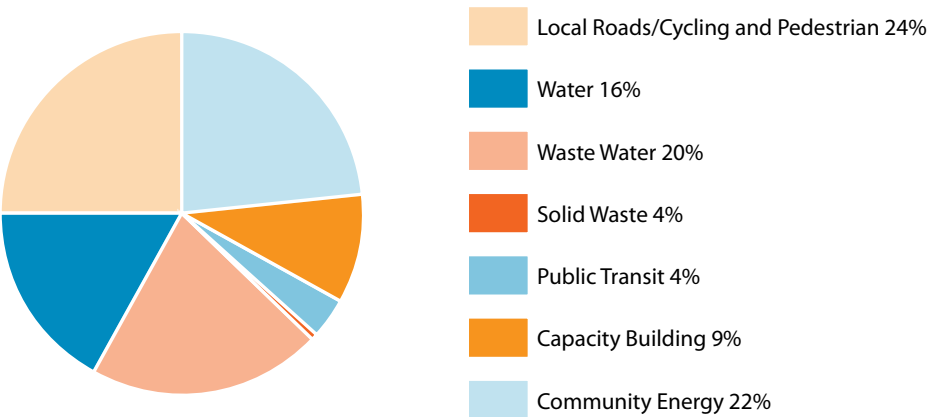
The application-based Innovations Fund, Strategic Priorities Fund and Regionally Significant Projects Fund all saw a major increase in claims in the 2009-2010 reporting year, totaling \$29.8 million from 49 projects being reported – up from \$16.7 million from 28 projects in 2008. It is anticipated that most projects from intakes during the first five years of the program will be completed in the next year.

## Strategic Priorities Fund – TransLink

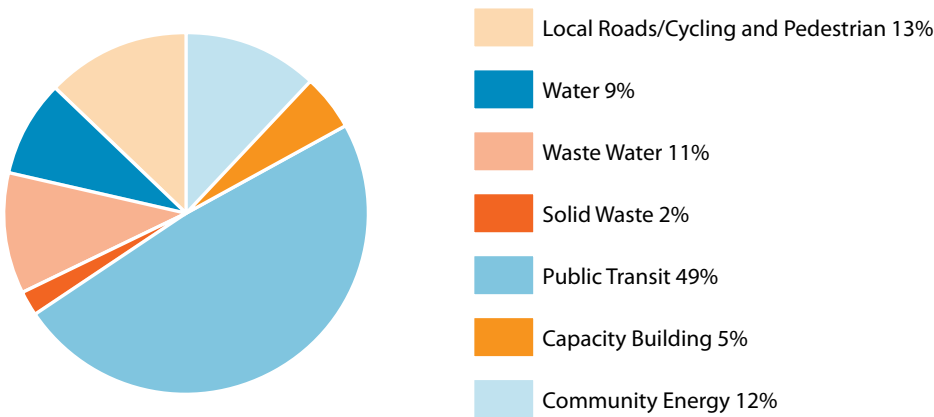
TransLink continues to receive pooled Gas Tax funds to use towards transportation infrastructure in the Greater Vancouver Regional District. TransLink reported \$55.9 million in Gas Tax spending in the 2009 reporting year on a number of projects, including: new hybrid buses, upgraded facilities, new Sky Train cars and the replacement of customized vehicles.

5.2 shows the total Gas Tax funds spent in the 2009-2010 reporting year by project category. As TransLink’s GTA spending far exceeds all other recipients, 5.3 shows Gas Tax funds spent for 2009-2010 with TransLink omitted.

## 5.3 Total Gas Tax Funding spent this year by Project Category not including TransLink



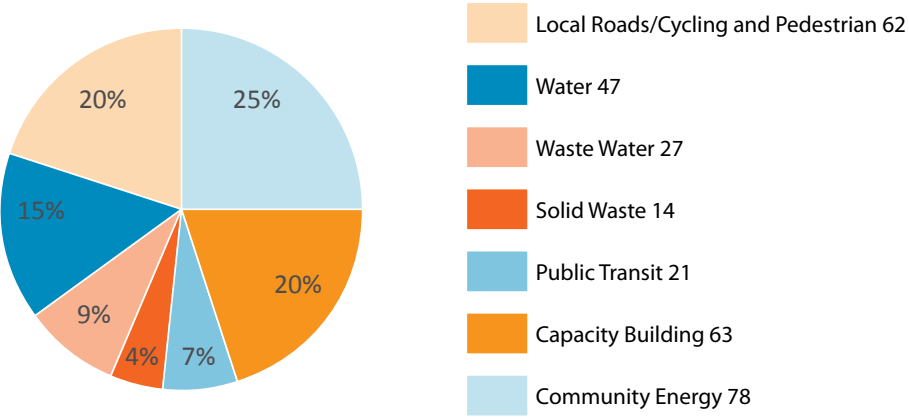
## 5.2 - Total Gas Tax Funding Spent this year by Project Category including TransLink



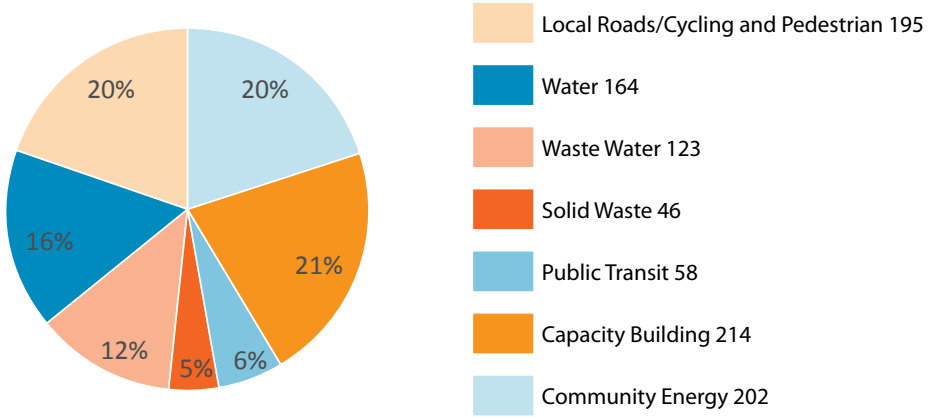
## Project Types and Project Categories

The majority of new projects reported were split between the Community Energy, Local Roads/Cycling Pedestrian Paths, and Capacity Building categories. This is in line with the historical data over the five-year reporting period, with a slight increase in Community Energy projects and a slight decrease in Capacity Building and Water project categories. Charts 5.4 and 5.5 compare the cumulative breakdown of projects by category with the 2009 breakdown.

5.4 - 2009 Gas Tax new projects reported by category



5.5 - Cumulative Gas Tax new projects reported by category





## PROJECTS FUNDED – PUBLIC TRANSIT AGREEMENT

In 2009, twenty recipients reported spending on PTA projects. Of those, thirteen were new projects.

Total spending by recipients in 2009 was \$8,035,814. As most Public Transit funding had been allocated by the end of 2009, only \$2,147,308 was transferred to eligible recipients during the reporting year.

Eight PTA projects were completed during the reporting year, including:

- Construction of new bike lanes and pedestrian sidewalks in Chilliwack

- Construction of a maintenance facility with infrastructure to support hydrogen fuel buses in Whistler
- Bus shelters in 100 Mile House
- Purchase of transit vehicles for small and rural systems by BC Transit

Some of the projects that are nearing completion include:

- Construction of transit bus stations in Prince Rupert
- Construction of infrastructure to support a Rapid Bus system in Kelowna
- New bus shelters and transit dispatch software in the Regional District of Nanaimo

## FINANCIAL AND COMPLIANCE REPORTING

The following table sets out receipts and disbursements of the Gas Tax and Public Transit Funds for the reporting period. The table also provides cumulative data for UBCM and recipients in the aggregate.

Table 7.1 shows a reconciliation of opening balances this year, as compared to closing balances reported for the previous year.

UBCM has distributed \$543.4 million of \$635.6 million of Gas Tax Funds it has received to date, a distribution rate of nearly 85%. These figures do not include pooled funds that have been committed but are provided to recipients on a claims basis.

All but \$103,864 of the Public Transit Agreement's \$52.43 million has been distributed to eligible recipients – accounting for 99% of funds received. Recipients have spent \$52.17 of the \$52.43 of funding – representing 99% of funds received.

The March 31, 2010 spending deadline for the PTA has been extended until March 31, 2011 and it is anticipated that all projects will be completed by that date.

## 7.1 Schedule of Receipts and Disbursements

UBCM				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	April 1, 2009 to March 31, 2010	Cumulative Date of Signing to March 31, 2010	April 1, 2009 to March 31, 2010	Cumulative Date of Signing to March 31, 2010
Opening Balance of Unspent Funding	74,064,266.92	0.00	3,848,768.57	0.00
Received from Canada	254,239,000.00	635,599,000.00	0.00	52,543,010.00
Interest and Other Investment Income	637,523.25	7,631,672.84	20,225.22	1,816,848.41
<b>Sub-Total (Available for Spending)</b>	328,940,790.17	643,230,672.84	3,868,993.79	54,359,858.41
Transferred to Eligible Recipients	230,583,388.32	543,474,135.51	2,089,677.00	52,439,146.00
Spent on Administration Costs	650,938.72	2,050,074.20	72,326.52	213,722.14
Sub-Total (Total Spending)	231,234,327.04	545,524,209.71	2,162,003.52	52,652,868.14
Closing Balance of Unspent Funds	97,706,463.13	97,706,463.13	1,706,990.27	1,706,990.27
<b>ELIGIBLE RECIPIENTS IN AGGREGATE</b>				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	January 1 to December 31, 2009	Cumulative Date of Signing to December 31, 2009	January 1 to December 31, 2009	Cumulative Date of Signing to December 31, 2009
Open Balance of Unspent Funding	122,373,990.09	0.00	6,849,002.63	0.00
Received from UBCM	217,198,912.33	528,062,285.30	2,147,308.00	52,439,146.00
Interest and other Investment Income	2,102,547.59	11,006,624.28	19,140.87	732,740.28
<b>Sub-Total (Total Available for Spending)</b>	341,675,450.01	539,068,909.58	9,015,451.5	53,171,886.28
Spend on Eligible Projects	120,546,965.49	317,591,465.60	8,035,814.81	52,171,661.57
Spent on Administration Costs	392,468	741,427.61	3,877.20	24,465.22
<b>Sub-Total (Total Spending)</b>	120,939,433.49	318,332,893.21	8,039,692.01	52,196,126.79
Closing Balance of Unspent Funding	220,736,016.37	220,736,016.37	975,759.49	975,759,661.57

# RECIPIENT COMPLIANCE AND REPORTING

The recipient accountability framework relies on four major elements:

1. Recipients file an Annual Report to indicate the funds they received, how the funds were used and details of the eligible projects funded;
2. Financial Officers certify that to the best of their knowledge, the Annual Report is complete and accurate and that the recipient has complied with all material provisions of the funding agreement;
3. UBCM undertakes an annual audit of Gas Tax and Public Transit recipients' receipts and disbursements;
4. The province annually reports to UBCM on relevant financial data included in the recipient's audited financial statements to indicate:

- a) Whether the financial statement included a qualified audit opinion in relation to Gas Tax or Public Transit funds;
- b) Whether the recipient complied with rules of the Public Sector Accounting Board; and
- c) The amount of capital spending by recipients from their own sources.

UBCM relies on this accountability framework in relation to its responsibility to enforce the terms on conditions of funding agreements, and as such, withholds further payments to recipients that fail to file an Annual Report or the required certifications. The province has confirmed that there are no qualified audit opinions that relate to Gas Tax or Public Transit Funds in any of the audited financial statements that have been filed to date.

## Annual Reports and Financial Officer Certifications

There were 172 recipients that were required to file an Annual Report and the Financial Officer certification this year, an increase of 3 over the previous period. This increase is due to IF projects reported in the GVRD.

To date, all but 13 recipients have fulfilled their requirement to file an Annual Report.

A number of recipients faced a challenge in filing their financial statements with the province this year within the reporting timeframe. This is attributed to changes to the Public Sector Accounting Board rules that came into effect this reporting year. To date, 36 recipients have not yet submitted financial statements to the province. As this is a condition of recipient reporting for Gas Tax program funding, UBCM will monitor

the progress of these recipients to ensure they comply with the PSAB rules before future funding is allocated.

## Recipient Audit (2005-2008)

Due to the removal of the requirement of recipients to provide audited financial statements, UBCM will instead undertake an audit on the basis of a sample of recipient receipts and disbursements. UBCM contracted the services of KPMG to conduct a cumulative audit of recipients for the reporting period of 2005-2008. The findings of the 2005-2008 audit will be released in conjunction with this UBCM AER.

## Recipient Audit 2009

UBCM has again contracted the services of KPMG to continue its audit of recipients' receipts and disbursements for the 2009 reporting year. At the time of print, KPMG's 2009 recipient audit was pending completion.

## Capital Investments Plans

An annual five-year financial plan is statutorily required for all local governments in British Columbia. These plans are the equivalent of the Capital Investment Plans required under the Gas Tax Agreement.



## Transit Strategies

The Public Transit Agreement requires recipients to make a transit strategy publicly available. Transit strategies for all communities outside Metro Vancouver are available at:

[www.busonline.ca/corporate/resources](http://www.busonline.ca/corporate/resources)

TransLink transit plans are found at:

[www.translink.ca/en/Plans-and-Projects](http://www.translink.ca/en/Plans-and-Projects)

## Incrementality

As of this year, Gas Tax fund recipients in British Columbia have fulfilled the requirement to ensure that the funding received has resulted in net incremental capital spending. BC recipients have achieved this five-year goal in just four years. Table 8.1 shows the final calculations of incremental spending by TransLink, BC Transit and local governments against the commitment established by the incrementality methodology developed by the parties to the GTA.



## 8.1 Progress Towards Meeting 5-year Incrementality Commitments

	TransLink	BC Transit	Local Governments
Own Source Capital Spending 2006	640,436,00	16,786,000	599,145,448
Own Source Capital Spending 2007	633,620,000	38,292,000	638,920,049
Own Source Capital Spending 2008	434,187,000	69,974,000	753,865,163*
Own Source Capital Spending 2009	447,383,000	150,917,000	889,236,502
Total	2,155,626,000	220,891,000	2,881,167,162
Commitment	591,162,000	80,645,000	2,482,961,340
Spending Required to Reach Commitment	0	0	0

\*2008 adjusted from 2008/09 UBCM AER



# UBCM COMPLIANCE AND REPORTING

The Gas Tax Agreement and Public Transit Agreement require and audit of UBCM financial information and compliance with the agreements. An unqualified opinion of UBCM's schedule of Receipts and Disbursements under the Gas Tax Agreement and Public Transit Agreement, and UBCM's compliance with the evaluation criteria can be found as an appendix to this report.

## Leadership in Programming

In the 2009-2010 program year, UBCM worked with federal and provincial partners on a number of agreement amendments aimed

at improving the administration and interpretation of the Gas Tax Agreement. The most notable change is the separation of the Public Transit category into three categories: Public Transit; Local Roads, Bridges and Tunnels; and Active Transportation. This addition allows for better interpretation of the eligible categories set out in the Agreement.

UBCM also eased the reporting process for recipients by removing the requirement for audited financial statements to be included in the reporting structure.

## Communications

The 2009-2010 program year saw communications activities in every region of the province to promote investments from the Gas Tax Fund and Public Transit Funds. There were 21 joint communications in total

(14 events and 7 news releases) highlighting over \$88 million in funding. In addition, 11 local governments undertook their own communications to highlight local allocation decisions or provide project updates, providing information for \$5.5 million in funding.



## LOOKING AHEAD

2010 – 2011 marks the first year of the extension to the Gas Tax Agreement, securing funding through the program up to 2014. This is a significant milestone as the Agreement has now matured to become a secure funding source for local governments, TransLink, BC Transit, and other recipients for sustainable infrastructure and capacity building projects throughout the province.

The 2010-2011 program year will also see the rollout of a new round of Gas Tax application-based programs – including the Innovations Fund, General Strategic Priorities Fund, and the Regionally Significant Projects Fund.

With the new extension agreement amendment, a number of administrative changes to the agreement will allow for clearer interpretation of the GTA. The project categories have been expanded to make a distinct separation between public transit and local roads, bridges and tunnels.

A future focus of Gas Tax Agreement program will be developing a consistent and dedicated mechanism for measuring the outcomes of all funded projects over the next few years.

UBCM will continue to administer the Gas Tax Agreement focusing on continued and consistent project growth and program improvements that highlight the benefits of long-term stable and predictable funding in British Columbia.



# Appendix A

Agreement on the Transfer of Federal Gas Tax Revenues  
Annual Expenditure Report - Receipts and Disbursements

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended March 31, 2010



**KPMG LLP**  
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## AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT

To the Presidents Committee

We have audited the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as set out in the Annual Expenditure Report in accordance with Section 7.2.1 of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008 (collectively, the "Agreement"), among the UBCM, the Government of Canada ("Canada") and the Province of British Columbia (the "Province"), for the year ended March 31, 2010. The Annual Expenditure Report is the responsibility of the management of the UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2010, presents fairly, in all material respects, the receipts and disbursements of the UBCM in accordance with Section 7.2.1 of the Agreement.

This report is intended solely for the information and internal use of UBCM, Canada and the Province, and is not intended to be and should not be used by anyone other than the specified parties or for any other purpose.

Chartered Accountants

Burnaby, Canada  
August 20, 2010

**UNION OF BRITISH COLUMBIA MUNICIPALITIES**  
**Annual Expenditure Report**  
For the year ended March 31, 2010

**Receipts and Disbursements**

	Cumulative September 19, 2005 to March 31, 2009	Year ended March 31, 2010	Cumulative September 19, 2005 to March 31, 2010
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 74,064,267	\$ -
Received from Canada	381,360,000	254,239,000	635,599,000
Investment Income	6,994,149	637,523	7,631,672
Sub-Total (total available for spending)	388,354,149	328,940,790	643,230,672
Transferred to Eligible Recipients	312,890,747	230,583,388	543,474,135
Spent on Administration Costs	1,399,135	650,939	2,050,074
Sub-Total (total spending)	314,289,882	231,234,327	545,524,209
Closing Balance of Unspent Funds	\$ 74,064,267	\$ 97,706,463	\$ 97,706,463

Basis of presentation:

The Annual Expenditure Report sets out the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as required by Section 7.2.1 of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended March 17, 2008, among UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2010.

Approved by:



September 24, 2010



Compliance with the Evaluation Criteria with Respect to the  
Agreement on the Transfer of Federal Gas Tax Revenues

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended March 31, 2010



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## AUDITORS' REPORT ON COMPLIANCE WITH EVALUATION CRITERIA

To the Presidents Committee

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at March 31, 2010 with the evaluation criteria ("evaluation criteria"), as attached, for the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008 (the "Agreement") among the Government of Canada ("Canada"), the Province of British Columbia (the "Province") and UBCM. The evaluation criteria have been developed based upon consideration of the relevant provisions of the Agreement as interpreted by the management of UBCM. Compliance with the evaluation criteria and the completeness and accuracy of UBCM's interpretations, as attached, are the responsibility of UBCM. The suitability of the evaluation criteria is the responsibility of UBCM. Our responsibility is to express an opinion, based on our audit, regarding UBCM's compliance with the evaluation criteria. Our audit does not constitute a legal determination on UBCM's compliance with the terms and conditions of the Agreement.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether UBCM complied with the evaluation criteria. Such an audit includes examining, on a test basis, evidence supporting UBCM's compliance with the evaluation criteria, performing such other procedures as we considered necessary in the circumstances, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, UBCM has complied as at March 31, 2010, in all material respects, with the evaluation criteria.

This report is intended solely for the information and internal use of UBCM, Canada and the Province, and is not intended to be and should not be used by anyone other than the specified parties or for any other purpose.

Chartered Accountants

Burnaby, Canada

August 20, 2010

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
3.3.2 (iii)	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 enforce all terms and conditions of the Funding Agreement in a diligent and timely manner, and seek remedies from non-compliant Eligible Recipients.	<p>“Enforcement of all terms and conditions” of the Funding Agreement refers to management’s commitment to obtain:</p> <p>(a) an approved Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement, and</p> <p>(b) a declaration, from an officer responsible for financial administration at the designated recipient, of the amounts received and disbursed by the designated recipient and that the amounts were used in accordance with the Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement.</p> <p>To “seek remedies from non-compliant Eligible Recipients” means employing remedies available to UBCM management under the Gas Tax Agreement, including withholding an installment of Community Works Funds or a payment for a project under the Strategic Priorities Fund or Innovations Fund until the non-compliance has been remedied.</p>	<p>Approved agreements exist for any funds disbursed by UBCM to designated recipients under a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement and such agreements include at a minimum, Schedule C of the Gas Tax Agreement.</p> <p>Management has received a declaration for the period ended December 31, 2009 from an officer responsible for financial administration at each designated recipient, of the amount received and disbursed by each recipient that includes a declaration that the funds were used in accordance with a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement prior to disbursing any funds to Eligible Recipients for the next reporting period.</p> <p>Approved agreements include Schedule C of the Gas Tax Agreement that includes a statement that in the event of default, UBCM may reduce, suspend, or terminate any further payment.</p>



**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes										
6.3	<p>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.</p> <p>(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.</p> <p>(b) 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.</p> <p>(c) 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:</p> <table><tr><td>2005/2006</td><td>\$25,000</td></tr><tr><td>2006/2007</td><td>\$25,000</td></tr><tr><td>2007/2008</td><td>\$31,583</td></tr><tr><td>2008/2009</td><td>\$38,478</td></tr><tr><td>2009/2010 to 2013/2014</td><td>\$50,000</td></tr></table>	2005/2006	\$25,000	2006/2007	\$25,000	2007/2008	\$31,583	2008/2009	\$38,478	2009/2010 to 2013/2014	\$50,000	<p>The aggregate amount of the Community Works Fund funding “floor” amounts are deducted from amounts otherwise available to those tiers that are eligible to receive the funding floor prior to calculation of the per capita amounts for those tiers.</p> <p>The percentage distribution between the Community Works Fund and the Strategic Priorities Fund set out in Table 1 in Section 6.3 applies only to per capita amounts that are derived after taking the floor amounts into consideration.</p> <p>Per capita amounts are based on Census data available at the time the allocations are made, as adjusted for changes in boundaries.</p>	<p>Funding available to Tier 3 local governments for the Community Works Fund and the Strategic Priorities Fund is calculated as follows:</p> <p>(a) Funding allocated to the Innovations Fund is deducted from Canada’s funding contribution; then</p> <p>(b) unless the Tier 3 local governments are to receive Community Works Fund funding, then allocations to the Tier 3 Strategic Priorities Fund are calculated based on a per capita allocation using 2006 Census data, adjusted to take into consideration changes to boundaries, both of which are obtained from the Ministry of Community and Rural Development, Government of British Columbia.</p> <p>Of the designated funds allocated to Tier 3, no more than 25% has been allocated to the Community Works Fund and no less than 75% has been allocated to the Strategic Priorities Fund.</p> <p>Funding available to Tier 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is based on the amount of Canada’s contribution remaining after deducting the amount allocated for the Innovations Fund and the amount available to the Tier 3 local governments for Community</p>
2005/2006	\$25,000												
2006/2007	\$25,000												
2007/2008	\$31,583												
2008/2009	\$38,478												
2009/2010 to 2013/2014	\$50,000												

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
			<p>Works Funds and Strategic Priorities Funds.</p> <p>Funding available to Tier 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is allocated as follows:</p> <ul style="list-style-type: none"> <li>(a) Each designated recipient has received at minimum the Community Works Fund funding “floor” allocation of \$50,000 for the period ended March 31, 2010,</li> <li>(b) The remaining funds are allocated to Tiers 1 and 2 based on a per capita allocation using 2006 Census data, adjusted to take into consideration changes to boundaries, both of which are obtained from the Ministry of Community and Rural Development, Government of British Columbia,</li> <li>(c) Of the designated funds allocated in (b) to Tier 1, 75% has been allocated to the Community Works Fund and 25% has been allocated to the Strategic Priorities Fund; and</li> <li>(d) Of the designated funds allocated to Tier 2 in (b), 50% has been allocated to the Community Works Fund and 50% has been allocated to the</li> </ul>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
			Strategic Priorities Fund.
			Approved Community Works Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.
6.4	<p>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).</p> <p>All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors has requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.</p> <p>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.</p>	<p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p>	<p>The Partnership Committee has approved the request by the GVRD Board of Directors that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund.</p> <p>The Management Committee has approved an application for funding under the Strategic Priorities Fund prior to the execution of a Strategic Priorities Fund Funding Agreement.</p> <p>Approved Strategic Priorities Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>



**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.5	<p>An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia will be established.</p> <p>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.</p> <p>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.</p> <p>The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.</p>	<p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p>	<p>Approval of the allocation to the Innovations Fund by the Partnership Committee is documented in the minutes meeting.</p> <p>The allocation to the Innovations Fund is not more than 5% of the total New Deal allocation.</p> <p>The Management Committee has approved an application for funding under the Innovations Fund prior to the execution of an Innovations Fund Funding Agreement.</p> <p>Approved Innovations Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>
6.6.1	<p>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.</p>	<p>This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account.</p>	<p>The UBCM maintains separate and distinct accounting records for the receipt and disbursement of funds received under the Agreement.</p>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
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.	Management is not required to review, audit or otherwise verify that the use of the funds by the Eligible Recipients are consistent with those Eligible Projects and Costs identified in Schedules A and B of the Agreement.	Approved agreements have been signed by the designated recipients which confirm the agreement of the designated recipient that the Funds will be used for the Eligible Projects and Costs identified in Schedules A and B of the Agreement.
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.	<p>The business case represents the combined administration costs of the Gas Tax Agreement and the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 (the “Public Transit Agreement”).</p> <p>Costs of UBCM directly relating to the implementation, management and administration of the Gas Tax Agreement and the Public Transit Agreement are recorded in aggregate and allocated 90% and 10%, respectively to the funds, representing management’s estimate of the allocation of administration costs.</p>	<p>The Partnership Committee has reviewed the UBCM combined Gas Tax Agreement and Public Transit Agreement business case for the period from April 1, 2008 to March 31, 2010 as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of the UBCM Business Case for the period from April 1, 2008 to March 31, 2010 by the federal Minister of Transport, Infrastructure and Communities is evidenced in written communication.</p> <p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p> <p>The administration amounts allocated to the combined funds by UBCM from April 1, 2008 to March 31, 2010 have not exceeded the total amount set out in the UBCM business case for the period from</p>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**March 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
			April 1, 2008 to March 31, 2010.
			The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10%, respectively, in accordance with management’s interpretation.

Agreement on the Transfer of Funds for Public Transit 2006 - 2010  
Annual Expenditure Report - Receipts and Disbursements

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended March 31, 2010





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## AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT

To the Presidents Committee

We have audited the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as set out in the Annual Expenditure Report in accordance with Section 8.2.1 of the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 and as amended on March 31, 2010 (the "Agreement"), among the UBCM, the Government of Canada ("Canada") and the Province of British Columbia (the "Province"), for the period ended March 31, 2010. The Annual Expenditure Report is the responsibility of the management of UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2010, presents fairly, in all material respects, the receipts and disbursements of UBCM in accordance with Section 8.2.1 of the Agreement.

This report is intended solely for the information and internal use of UBCM, Canada and the Province, and is not intended to be and should not be used by anyone other than the specified parties or for any other purpose.

Chartered Accountants

Burnaby, Canada

August 20, 2010

**UNION OF BRITISH COLUMBIA MUNICIPALITIES**  
**Annual Expenditure Report**  
For the year ended March 31, 2010

**Receipts and Disbursements**

	Cumulative March 31, 2006 to March 31, 2009	Year Ended March 31, 2010	Cumulative March 31, 2006 to March 31, 2010
<b>Public Transit Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 3,848,768	\$ -
Received from Canada	52,543,008	-	52,543,008
Investment Income	1,796,623	20,225	1,816,848
Sub-Total (total available for spending)	54,339,631	3,868,993	54,359,856
Transferred to Eligible Recipients	50,349,469	2,089,677	52,439,146
Spent on Administration Costs	141,394	72,327	213,721
Sub-Total (total spending)	50,490,863	2,162,004	52,652,867
Closing Balance of Unspent Funds	\$ 3,848,768	\$ 1,706,989	\$ 1,706,989

Basis of presentation:

The Annual Expenditure Report sets out the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as required by Section 8.2.1 of the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 and as amended on March 31, 2010, among UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2010.

**Approved by:**



September 24, 2010

Compliance with the Evaluation Criteria with Respect to the  
Agreement on the Transfer of Funds for Public Transit

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended March 31, 2010



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## **AUDITORS' REPORT ON COMPLIANCE WITH THE EVALUATION CRITERIA**

To the Presidents Committee

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at March 31, 2010 with the evaluation criteria ("evaluation criteria"), as attached, for the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 and as amended on March 31, 2010 (the "Agreement") among the Government of Canada ("Canada"), the Province of British Columbia (the "Province") and UBCM. The evaluation criteria have been developed based upon consideration of the relevant provisions of the Agreement as interpreted by the management of UBCM. Compliance with the evaluation criteria and the completeness and accuracy of UBCM's interpretations, as attached, are the responsibility of UBCM. The suitability of the evaluation criteria is the responsibility of UBCM. Our responsibility is to express an opinion, based on our audit, regarding UBCM's compliance with the evaluation criteria. Our audit does not constitute a legal determination on UBCM's compliance with the terms and conditions of the Agreement.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether UBCM complied with the evaluation criteria. Such an audit includes examining, on a test basis, evidence supporting UBCM's compliance with the evaluation criteria, performing such other procedures as we considered necessary in the circumstances, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, UBCM has complied as at March 31, 2010, in all material respects, with the evaluation criteria.

This report is intended solely for the information and internal use of UBCM, Canada and the Province, and is not intended to be and should not be used by anyone other than the specified parties or for any other purpose.

Chartered Accountants  
Burnaby, Canada  
August 20, 2010

**Union of British Columbia Municipalities  
Evaluation Criteria for the Agreement on the  
Transfer of Funds for Public Transit 2006-2010 (the “Public Transit Agreement”)  
March 31, 2010**

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4.3(a)	UBCM will sign a Funding Agreement with each Eligible Recipient prior to the transfer of Funds from UBCM and enforce all terms and conditions of these Funding Agreements.	<p>To “enforce all terms and conditions” of these Funding Agreements refers to management’s commitment to obtain:</p> <p>(a) an approved Funding Agreement signed by the designated Eligible Recipient and UBCM, and</p> <p>(b) a declaration, from an officer responsible for financial administration at the designated recipient, of the amounts received and disbursed by the designated Eligible Recipient and that the amounts were used in accordance with the Funding Agreement.</p>	<p>Approved Funding Agreements exist for any funds disbursed by UBCM to designated recipients in the Public Transit Agreement, and such Funding Agreements outline eligible use of funds and include Schedules A, B, and C of the Public Transit Agreement.</p> <p>Management has received a declaration, from an officer responsible for financial administration at each designated recipient, of the amounts received and disbursed by each recipient that includes a declaration that the funds were used in accordance with the Funding Agreement.</p>
6.5	To the extent that the UBCM receives a repayment of all or a portion of a contribution pursuant to the operation of Paragraph 11 of Schedule C, the UBCM shall immediately pay the said amount to Canada or redirect the amount for Eligible Projects consistent with Section 7.3.		No repayments of contributions have been made as at March 31, 2010.
7.1	<p>Public Transit Funds will be allocated as follows:</p> <p>(a) A fund of up to \$1.5 million will be established to be allocated to support additional Public Transit Infrastructure, primarily in communities without existing public transit service, with allocations from</p>	The amount to be allocated to support additional Public Transit Infrastructure primarily in communities without existing public transit service is \$1.5 million, and any portion of these funds which are not allocated by November 30, 2007 may be reallocated.	<p>Management has notified the Province in writing in relation to the allocation of the \$1.5 million in funding under Section 7.1(a).</p> <p>The allocation of remainder of the funds (excluding those identified in 7.1(a)) has been disbursed to approved Eligible</p>



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	that fund made by UBCM after consultation with British Columbia; and		Recipients in accordance with the table in Section 7.1(b) of the Public Transit Agreement.
	(b) The remainder will be allocated to existing public transit systems such that each system is allocated \$17,500 plus a proportion of the amount remaining based on the system’s proportionate share of total public transit ridership in British Columbia. Allocation of the Funds under this paragraph is as set out in the following table: [refer to the table in Section 7.1.]	“Consultation with British Columbia” refers to written documentation by management advising the Province of its intention to allocate funds.	No reallocations under section 7.1(c) were made during the year.  On March 31, 2010, management received an amendment from the Minister of Transport, Infrastructure and Communities that has extended the Public Transit Agreement to a maximum of one year, until March 31, 2011.
	(c) If, by November 30, 2007, any portion of Funds allocated under this Section is not included in a Funding Agreement under Section 7.2, that portion of the funding may be reallocated to other Eligible Recipients in accordance with principles established by the partnership committee.		
	(d) The UBCM agrees that if funds advanced by UBCM to an Eligible Recipient are not paid by the Eligible Recipient in respect of Eligible Costs by March 31, 2010, UBCM shall, unless otherwise agreed in writing in advance with Canada and British Columbia, recover the unspent funds and reimburse Canada when requested. Such unspent funds shall constitute a debt to Canada.		

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7.2	<p>Eligible Recipients for funding allocated under Section 7.1(a) are BC Transit and the Local Government in which the public transit system is, or will be, located. Except for the Victoria Regional Transit Commission system, the Eligible Recipients for each of the public transit systems set out in Section 7.1(b) are limited to one or more of the participants identified in relation to that system. For the Victoria Regional Transit Commission system, Eligible Recipients are: BC Transit, the City of Colwood, the City of Langford, the City of Victoria, the District of Central Saanich, the Township of Esquimalt, the District of Highlands, the District of Metchosin, the District of North Saanich, the District of Oak Bay, the District of Saanich, the District of Sooke, the Town of Sidney and the Town of View Royal.</p> <p>The UBCM will enter into a Funding Agreement with an Eligible Recipient in relation to all or part of the funding allocated under Section 7.1. For certainty, a Funding Agreement may include funding in relation to one or more individual public transit systems, but in circumstances where more than one system is included in a single Funding Agreement, the Funding Agreement must respect the funding allocations for each public transit system set out in Section 7.1.</p> <p>A Funding Agreement must include a listing of Eligible Projects to which funding made available under the Funding Agreement will be</p>		<p>The Funding Agreement between UBCM and the Eligible Recipient includes a list of Eligible Projects to be funded.</p> <p>Evidence of approval of the Eligible Projects to be funded under a Funding Agreement has been provided by all of the participants in the system, except for the Victoria Regional Transit Commission system, for which there is evidence that the listing of Eligible Projects to be funded is approved by the Victoria Regional Transit Commission and BC Transit.</p> <p>Each Funding Agreement does not allocate more funding to an Eligible Recipient than what the recipient is entitled to under Section 7.1 and if the Funding Agreement represents funding for more than one public transit system, the Funding Agreement identifies the amounts to be allocated for each of the public transit systems, and these amounts correspond to the amounts allocated for each of those systems under Section 7.1.</p>

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	<p>applied. In the case of the Victoria Regional Transit Commission system, the listing of Eligible Projects must be approved by the Victoria Regional Transit Commission and by BC Transit. For all other public transit systems with more than one participant, the listing of Eligible Projects must be approved by all of the participants in the system.</p> <p>Subject to having received the applicable funds from Canada, UBCM will distribute funds directly to an Eligible Recipient within 30 days of the execution of the Funding Agreement between the Eligible Recipient and the UBCM. If the applicable funding has not been received by UBCM prior to the commencement of a Funding Agreement, UBCM will distribute funds within 30 days of receipt of the applicable funds from Canada.</p>		
7.3	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.	This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account.	The UBCM maintains separate and distinct accounting records for the receipt and disbursement of funds received under the Public Transit Agreement. Such accounting records have been reconciled to the funds on deposit.

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	UBCM agrees to pay Funds to Eligible Recipients solely for Eligible Projects identified in Schedule A, and solely in respect of Eligible Costs identified in Schedule B.	A Funding Agreement must include a description of the Eligible Project that is to be funded, which must be within the category of projects and costs set out in Schedules A and B, respectively, of the Agreement. Approval is evidenced by a signed contract.	<p>Approved Funding Agreements exist for any funds disbursed by UBCM to designated recipients and such agreements include, at a minimum, those Eligible Projects approved for funding and a statement of the Eligible Costs, as identified in Schedule B of the Agreement.</p> <p>Each Funding Agreement states what the funds are to be used for. Such use is within one of the Eligible Project categories per Schedule A of the Public Transit Agreement.</p>
	All administration costs of UBCM in respect of the implementation and management of this Agreement shall be for the account of UBCM, provided that the Funds 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 in Section 8. UBCM shall submit, in advance, for review by the Partnership Committee and acceptance by the Federal Minister, a business case justifying such use of Funds.	<p>The business case includes the combined administration costs of the Public Transit Agreement and the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended March 17, 2008 (collectively the “Gas Tax Agreement”).</p> <p>Costs of UBCM directly relating to the implementation, management and administration of the Public Transit Agreement and the Gas Tax Agreement are recorded in aggregate and allocated 10% and 90%, respectively to the funds, representing management’s estimate of the allocation of administration costs.</p>	<p>The Partnership Committee has reviewed UBCM combined Public Transit Agreement and Gas Tax Agreement business case for the period from April 1, 2008 to March 31, 2010, and the proposed administration costs , as evidenced in the Partnership Committee’s minutes of the meeting and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of UBCM’s Business Case, for the period from April 1, 2008 to March 31, 2010 by the federal Minister of Transport, Infrastructure and Communities, is evidenced in written communication.</p>

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			<p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p> <p>The administration amounts allocated to the combined funds by UBCM from April 1, 2008 to March 31, 2010 have not exceeded the total amount set out in UBCM’s business case for the period from April 1, 2008 to March 31, 2010.</p> <p>The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10%, respectively, in accordance with management’s interpretation.</p>



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7.4	UBCM agrees to include the Eligible Recipient Requirements in all Funding Agreements, and agrees to enforce all terms and conditions of the Funding Agreements, including the Eligible Recipient Requirements.	<p>The Eligible Recipient Requirements are detailed in Schedule C of the Public Transit Agreement.</p> <p>To “enforce all terms and conditions” of these Funding Agreements refers to management’s commitment to obtain:</p> <p>(a) an approved Funding Agreement signed by the designated recipient and UBCM, and</p> <p>(b) a declaration, from an officer responsible for financial administration at the designated recipient, of the amounts received and disbursed by the designated recipient and that the amounts were used in accordance with the Funding Agreement.</p>	<p>The terms included in Schedule C – Eligible Recipient Requirements of the Public Transit Agreement, at a minimum, have been included in the Funding Agreements.</p> <p>Approved Funding Agreements exist for any funds disbursed by UBCM to designated recipients prior to the transfer of Funds.</p> <p>Management has received a declaration, from an officer responsible for financial administration at each designated recipient, of the amounts received and disbursed by each recipient that includes a declaration that the funds were used in accordance with the Funding Agreement.</p>