



# 2010

## ANNUAL EXPENDITURE REPORT

Gas Tax and Public Transit Agreements in BC



This Annual Expenditure and Audit Report for the Period April 1, 2010 to December 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

## 2010 AER Report

2010 marks the first year of the four-year extension for the Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement or GTA). The program will commit a further billion dollars from 2010-2014 for funding to local governments and other eligible recipients for sustainable infrastructure projects that lead to cleaner air, cleaner water, and reduced greenhouse gas emissions. Funding is also being invested into capacity building activities that promote integrated community sustainability planning principles.

With over **1,300** projects funded through Gas Tax programs since 2005, local governments are seeing a substantive increase in municipal infrastructure that is improving the quality of life of its residents. As the program advances, local governments continue to make sound choices that support the achievement of strong environmental outcomes.

UBCM continues to administer the Gas Tax program using the principles of program efficiency, program advancement, delivering results, communicating benefits to communities and low cost program delivery.

UBCM is responsible for developing this sixth Annual Expenditure Report for April 1, 2010 to December 31, 2010.

By allocating funds to communities over multiple years, the GTA allows local governments to plan with the knowledge of the amount of funds that will be transferred and when they will be received. Thanks to the commitment of the Government of Canada in its 2011 budget to introduce legislation making the Gas Tax program permanent, local governments will be able to count on the availability of funds for years to come.

In 2010, the program funded **318** new capacity building and infrastructure projects. This has resulted in a number of benefits to residents of British Columbia including improvements to municipal infrastructure, enhancing public transit options, construction of commuter trails to reduce car dependency, and planning for future growth in with a focus on sustainability.

## Program Highlights

In 2010, UBCM transferred over **\$116** million in funding to local governments and other eligible recipients for sustainable infrastructure and capacity building projects across British Columbia. This year continues to see a steady increase in projects funded in all project categories.

Along with the continued commitment of Community Works funding, the two application-based programs – General Strategic Priorities Fund and Innovations Fund – began to accept applications in 2010. These two programs will commit a further \$150 million for capacity building and infrastructure projects across the province that are larger in scale or regional in nature, or apply an innovative approach to achieving the program outcomes.

For Tier 2 regions, Regionally Significant Project Fund working groups have been established. The working groups are tasked with developing proposals for projects which are larger in scale or regional in impact, and promote regional collaboration. The RSP fund will provide over \$62 million for Tier 2 regions.

For the Tier 3 region, the Strategic Priorities Fund continued to invest in TransLink's transportation infrastructure within the Greater Vancouver Regional District.

## Public Transit Agreement

UBCM also administers the Agreement on the Transfer of Funds for Public Transit (Public Transit Agreement or PTA). The 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. All PTA funding was allocated in 2009 and recipients had until March 31, 2011 to complete the PTA projects.



## GTA/PTA OVERVIEW

The Gas Tax Agreement is a tri-partied agreement between the Government of Canada, the Province of British Columbia, and UBCM in which federal funding is transferred to local governments and other eligible recipients to be used towards sustainable infrastructure and capacity building projects. The GTA, signed on September 19, 2005 and extended through agreement on March 17, 2008, provides \$1.63 billion of federal funding to March 31, 2014 to BC communities for capacity building projects or sustainable infrastructure projects that reduced greenhouse gas emissions, or resulted in cleaner air or cleaner water.

In October 2010, the Gas Tax Agreement was amended to expand the eligible categories to include 'Local Roads Bridges and Tunnels' and 'Active Transportation Infrastructure'.

### Gas Tax Project Categories

Public Transit

Local Roads, Bridges and Tunnels

Active Transportation Infrastructure

Community Energy Systems

Water and Waste Water

Solid Waste

Capacity Building

UBCM is responsible for administration of the program in accordance with the terms of the GTA.

### 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

### Public Transit Agreement

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.

## Community Tiers

A community tier system has been developed for the purpose of Gas Tax funding and is based on differing community characteristics including population density, degree of urbanization, adjacency of communities to urbanized areas and the need for intra-regional infrastructure. Recipients are eligible to receive Gas Tax funding in accordance with the 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 and its member municipalities.

## Funding Streams

The funding mechanism under the Gas Tax Agreement consists of a number of funding streams. At the request of the Greater Vancouver Regional District, the Tier 3 Gas Tax Funds have been directed to TransLink for strategic transit infrastructure investments.

General Strategic Priorities Fund (GSPF)	Innovations Fund (IF)	Community Works Fund (CWF)
<ul style="list-style-type: none"><li>• Available through GSPF grant for all Tier 1 and 2 local governments.</li><li>• Provides funding for strategic investments that are larger in scale or regional in impact.</li><li>• Includes Regionally Significant Project funds for the eight Tier 2 regions.</li></ul>	<ul style="list-style-type: none"><li>• Available through IF grant for all local governments.</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>• All local governments outside the Greater Vancouver Regional District (GVRD) automatically receive funding under the Community Works Fund.</li><li>• Funding is based primarily on a per capita formula and delivered twice annually. These local governments make local choices about which eligible projects to fund and report annually on these projects and their outcomes.</li></ul>

# PROJECT HIGHLIGHTS

## Mission

Funding from the Public Transit program is supporting new connections in active transportation networks. The development of the 3.2 km East Mission Heritage Greenway Trail was a priority identified in the District of Mission's Parks, Trails and Bicycle Master Plan. The new multipurpose pathway replaced an informal trail between Fraser River Heritage Park and the residential area of Hatzic on the east side of Mission. The pathway adds a new link to Mission's primary east-west bicycle route along 7th Avenue and has increased the number of out of town patrons who walk or ride to the park.



## Greater Vancouver Regional District & TransLink

In 2011, the Greater Vancouver Regional District's SkyTrain system marked 25 years of operation. To keep it operational well into the future, the Gas Tax Fund is providing \$204.76 million for transportation investments such as the purchase of 48 new MKII SkyTrain vehicles, an expansion of the SkyTrain Operations and Maintenance Centre, improvements to the systems that power the trains and the modernization of MKI vehicles.

The expansion of the Operations and Maintenance Centre will include the lengthening the maintenance bays, a renovation of shop and storage facilities and the construction of 1.42 kilometres of storage track to accommodate the larger vehicle fleet. Planning for the propulsion power system and MKI vehicles upgrades is underway, to be followed by work to modernize the SkyTrain system's automated train controls.

## Esquimalt

By funding a wide range of infrastructure projects, the Gas Tax Fund encourages integrated upgrades of local facilities. The City of Esquimalt used Gas Tax funding to completely renew one kilometre of roadway on a major commuter corridor in the Capital Region. In recognition of the need for roadways that support multiple modes of travel, Esquimalt added continuous bike lanes, sidewalks and improved transit facilities to the roadway. An innovative feature of the project is the addition of two storm water filtration systems and a dedicated rain garden at Yarrow Place that will treat runoff from the road before it enters the Gorge Waterway.



## Penticton

The Gas Tax Fund is replacing aging infrastructure with state of the art facilities. The City of Penticton is using funds to upgrade the Advanced Waste Water Treatment Plant and Lee Avenue lift station and forcemain. The upgrades will increase the facility's capacity to accommodate new development and service neighbouring communities. The project will also reduce energy consumption by re-arranging treatment trains, reducing pumping costs. The installation of a micro-turbine powered by digester gas will also generate 17% of the the electricity required by the plant. By increasing the efficiency of the Lee Avenue sewage lift station and forcemain and expanding the treated effluent transmission system, the new system will also provide irrigation throughout the south part of Penticton, reducing demand for treated domestic water.

## Kamloops

Gas Tax funding is helping to bridge barriers that obstruct pedestrian and cycling traffic. The City of Kamloops is building the Valleyview Interchange Multi-Use path to open pedestrian and cyclist access between the southeastern neighbourhoods and its City Centre. This project will also provide a link over the Canadian Pacific Rail tracks to the existing Rivers Trail, a renowned trail along the shores of the Thompson River. This project forms a key component of the City of Kamloops Bicycle Master Plan. By offering more residents a chance to walk and cycle safely across the community, the new multi-use path will further the goals of the City of Kamloops Sustainability Plan.



## Regional District of Central Kootenay

By delivering funding to local governments in advance of identifying projects, the Gas Tax Fund allows communities to channel investments to local priorities. The Regional District of Central Kootenay, has directed most of its funds to water system improvements, with 21 separate projects now completed or underway.

The local impact of these projects is considerable. Following the construction of a new water treatment plant and upgrading the distribution system in Balfour, the Interior Health Authority removed a Boil Water Notice that had in place for over a decade. As a result, nearly 1,000 residents now have access to safe drinking water.

## Comox

By targeting lower emissions facilities, Gas Tax funding supports the efforts of communities to make operations more efficient. The largest building operated by the City of Comox is a 35,000 square foot recreation facility. During a recent project to retrofit and expand the centre, Comox used Gas Tax funding to replace its heating and cooling system with a geothermal system. This upgrade will reduce the gas and hydro consumed by the facility by 25% and reduce GHG emissions by 60% annually. An additional benefit provided by this upgrade is that geothermal systems are projected to last 20% longer than conventional heating and cooling systems, providing the lowest life cycle cost.



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## Keremeos

Sometimes a single addition to a water or wastewater system provides multiple benefits. By using Gas Tax funds to add a centrifuge sludge handling unit, the Village of Keremeos eliminated the need to maintain outdoor drying beds, which were inefficient, labour intensive and a source of odour. When the beds froze in winter, sludge had to be manually removed from the system and trucked away to another facility. By removing nearly 90% of the water from the sludge on site, the remaining material is quite dry and easily composted. A further result of the addition of the sludge handling unit is the facility now consumes less energy by reducing the need to run mechanical aerators.

## Regional District of North Okanagan

The Gas Tax Fund is supporting the construction of projects that will benefit entire regions. The Regional District of North Okanagan used funding to construct the Duteau Creek Water Treatment plant. The new facility will supply approximately 60% of the domestic and irrigation water to the homes and businesses of the Greater Vernon area. The first stage of construction includes a 160-million-litre clarification treatment plant with dissolved air flotation and a 10 million-litre reservoir. Plans for a second stage of construction include additional filtration systems to further clarify the water.



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## Lillooet

The Gas Tax Fund is a driver for innovation. The District of Lillooet used funding to install a wood burning boiler system that incorporates an advanced combustion technology to heat Lillooet's Community Centre. The new wood-burning boilers will reduce the propane consumed by approximately 87%, or 138,000 litres, annually. By gasifying the wood fuel and controlling the air intake, the boilers provide nearly complete combustion of the fuel, minimizing the emission of greenhouse gases and particles. As a result, the new system will reduce GHG emissions by up to 208 tonnes of CO<sub>2</sub> per year. The system will be fueled with pellets manufactured from BC waste wood and will save an estimated \$50,000 in heating costs annually.

## Regional District of Mt. Waddington

One of the challenges for regions with smaller populations is the limited capacity for the funding of capital projects due to limited property tax revenue. Allocated Gas Tax funding adds to local revenues so that needed projects can be constructed sooner.

Mount Waddington Regional District is constructing three solid waste transfer stations in Woss, Winter Harbour and Malcolm Island. These new facilities are a first for communities that previously relied on informal sites for solid waste disposal. The transfer stations will also provide residents with a one-stop recycling drop for over 40 different types of items - from television sets to household chemicals.



## Regional District of Okanagan-Similkameen

The Regional District of Okanagan Similkameen (RDOS) has used Gas Tax funding to complete a region-wide Solid Waste Management Plan. An initial assessment found that the RDOS currently diverts 51% of its waste and that organics, recyclables from commercial and multifamily units and construction waste constitute the largest waste types entering landfills. Following the assessment, a public consultation process was undertaken which identified priorities for the final report, including the development of a food waste to compost collection program for homes and businesses; the creation of business and multi-family recycling programs; and the development of recycling centers for construction waste. By implementing these proposals, it is projected that waste diversion will increase to over 70% within the next 5 years.

# COMMUNITY PROFILE: CITY OF COURTENAY

## A Long Term Vision

The planning, design and development of communities are complex activities that require stable, predictable financial investment. The Gas Tax Agreement is making significant contributions to the renewal of communities because it is guided by a long-term vision for the replacement and expansion of local infrastructure.

The Gas Tax Agreement is making long-term impacts in two ways. First, the program delivers capital funding for environmentally sustainable infrastructure. By investing in capital projects that support reduced

## Courtenay At a Glance:

Population: 24,589

2010 Revenue from local taxes: \$38,942,114

2010 Gas Tax Allocation: \$936,961

Projected Gas Tax Allocation 2010-2014: \$3,716,252

Projects Underway or Completed:

- Comox Valley Sustainability Strategy
- Cliff Avenue Water Line Replacement and Street Widening
- 21st St Storm Sewer Upgrade
- Headquarters Rd – Sanitary Sewer Trunk Upgrade

greenhouse gas emissions, cleaner air and cleaner water, the GTA is helping communities to mitigate the environmental impact of human activity. Second, the GTA funding mechanism allocates funds to communities over multiple years. This allows local governments to plan with the knowledge of the amount of funds that will be transferred and when they will be received. Thanks to the commitment of the Government of Canada in its 2011 budget to introduce legislation making the Gas Tax program permanent, local governments will be able to count on the availability of funds for years to come.

## Closing the Infrastructure Gap

With the Gas Tax program now in its sixth year in British Columbia, it is evident the program delivers many benefits to communities beyond its sustainability objectives. In this year's report, we will look at the use of funds by City of Courtenay to demonstrate some of the ways the program is helping to renew communities.

The 2010 allocation of \$936,961 in Gas Tax funds to Courtenay is equivalent to 2.4% of the total local revenue raised by the City. This transfer of funds is the largest of all transfers that Courtenay receives from other orders of government and is the only transfer of capital funding.

The transfer of federal or provincial funds for the renewal of infrastructure owned by local government is essential for helping communities to close the infrastructure gap. In many BC communities, the total value of infrastructure that has exceeded its life far exceeds the capacity of local revenue. Courtenay estimates that its current infrastructure deficit is \$62 million – nearly double the annual revenue raised through local property taxes and fees. The impact of the infrastructure deficit on communities is significant. The cost of maintaining or replacing old infrastructure increases every year. Of even greater concern is the fact that aging infrastructure like crumbling roads

and bridges or infiltrated water distribution systems are a risk to community health and safety, and a drag on economic development.

## Supporting Development

Courtenay has used Gas Tax funds to support development through the replacement of aging infrastructure. In 2002, the City annexed lands that included a narrow diameter asbestos cement sanitary sewer that had exceeded its life cycle. In 2008, Courtenay replaced this trunk sewer pipe with a new one that more than doubled the capacity of the original. This expanded capacity will allow the City to fully service the annexed lands while also developing additional areas within the City boundary. The new sewer line, which is laid in the flood plain of the Tsolum River, has reduced infiltration, thereby reducing the energy consumed at downstream lift stations and

reducing the local contribution to 22% of the total cost. To maximize the benefits of the roadwork, Courtenay took advantage of the flexibility of the Gas Tax program eligibility framework to also replace the 40 year-old water, sanitary sewer and storm drainage delivery systems beneath the road.

As a result of this project, the traffic delays observed before the widening of the road no longer occur. In addition to reduced green house gas emissions, the project also has shortened commuters' travel times along with the response times of emergency vehicles. The 17th Street Bridge widening project has also effectively deferred the construction of an additional bridge (slated for construction in 2016) by up to 10 years.

the sewage treatment plant. This new line also allowed existing properties to be connected to the system, eliminating surface and ground water contamination from leaking septic systems and aging septic fields.

## Increasing Mobility

Along with water and wastewater systems, one of the most important infrastructure systems maintained by local governments is the community transportation network. Due to a surging regional population, Courtenay's 17th Street Bridge had become a significant bottleneck for increased vehicle traffic. The City used its Gas Tax allocation to leverage federal and provincial funding for a project to widen the approaches along Cliffe Avenue from 17th Street to 21st Street. By drawing on allocated Gas Tax funds, Courtenay was able to minimize the impact of this \$4 million project on local taxpayers,

*“Gas Tax funding is the largest annual transfer of funds received by the Courtenay and the only transfer that supports capital projects.”*

**– Tillie Manthey, Chief Financial Officer, City of Courtenay**

## Regional Planning and Solutions

Over the period of the agreement, all local governments receiving Gas Tax Funds have committed to undertake Integrated Community Sustainability Planning either individually or as part of a regional strategy. The City of Courtenay has also used Gas Tax funding to cover its share of the cost to develop the Comox Valley Sustainability Strategy. The strategy was developed by Comox Valley Regional District in partnership with Courtenay and other local governments in the region. The planning document provides policies to coordinate approaches to waste treatment and disposal; water supplies; transportation networks and modes; energy supplies; shared natural environmental assets; development standards; greenhouse gas reduction; and economic development.



The sustainability strategy will be used to manage growth and prioritize capital infrastructure projects throughout the Comox Valley. By developing a Sustainability Strategy that considers the whole region, local governments will be better able to manage cross-border developments. The strategy also provides a framework to support the development of a regional water supply strategy, a solid waste management plan and a regional growth strategy.

## Comprehensive Benefits

The example provided by the City of Courtenay demonstrates how the Gas Tax program is delivering multiple benefits to communities. From the perspective of fiscal management, the combination of

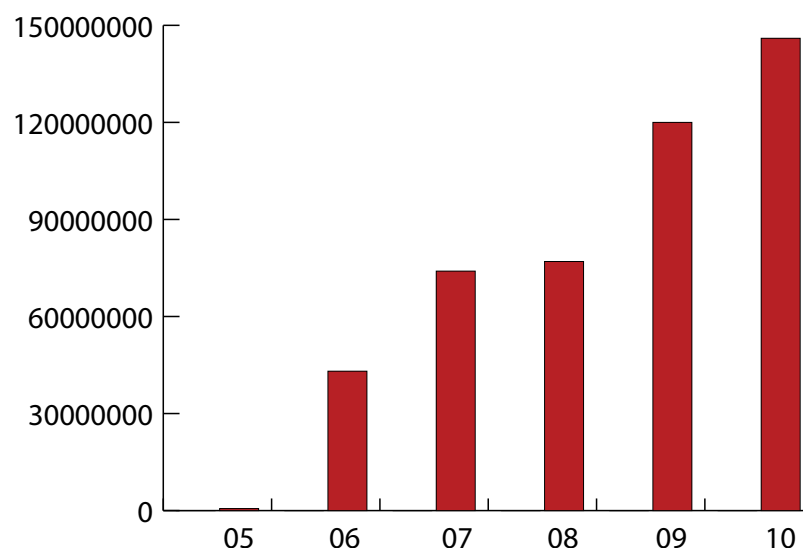
stable, long term funding within a flexible accountability framework allows recipients to maximize investments. The program also provides local governments with a significant source of funding for closing the gap on the infrastructure deficit. In addition, completed capital and planning projects are supporting development, improving mobility and strengthening regional approaches to infrastructure. Taken together, these benefits reinforce the environmental outcomes that are the primary focus of the program.

# PROJECTS FUNDED – GAS TAX AGREEMENT

## Projects Reported and Completed

In 2010, local governments and other eligible recipients reported spending Gas Tax funds on 477 projects. Of those, 318 were new Gas Tax projects. In total, over \$146 million of Gas Tax funds were spent in 2010 by local governments and other eligible recipients.

## 5.1 Recipient Spending of Gas Tax Funds 2005-2010



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There was an increase in spending in all Gas Tax program areas in 2010. Spending by recipients was reported as \$146 million – an increase from \$122 the previous reporting year. Total spending by recipients on Gas Tax projects since 2005 is over \$470 million.

Table 5.1 shows the increase in recipient spending of Gas Tax Funds since 2005.

## Gas Tax Spending Community Works Fund

Recipients reported on over **410** CWF projects in this reporting year. Of those, **295** were identified as new infrastructure or new capacity building projects. These figures are consistent with the last reporting year, which had slightly more new projects reported.

Of those new projects reported, 32% were identified within the Community Energy project category. This is higher than both the year-to-year and cumulative data for this project category type. However, Community Energy projects have historically been the most reported project type for Gas Tax.

**As of December 31, 2010, 1300 Gas Tax infrastructure and capacity building projects have been reported in British Columbia.**

In 2010, there was a decrease in the number of projects reported in the Capacity Building category, and a slight increase in projects in the Water Infrastructure category. Another decrease was recorded in the Wastewater category.

The total spending for all Community Works Funded projects in 2010 is over \$40 million, with new projects accounting for over half of the total spending.

Figures 5.2 and 5.3 show the 2010 new project reporting by category and the cumulative project reporting since the start of the Gas Tax Agreement.

### 5.3 Cumulative Gas Tax Projects Reported by Category

Cumulative Project	CWF	POOLED	TOTAL	%
Capacity Building	169	77	246	18%
Local Roads/Cycling	233	17	250	19%
Water	203	16	219	17%
Wastewater	122	23	145	17%
Community Energy	273	26	299	23%
Solid Waste	41	17	58	4%
Public Transit	51	28	83	6%
Total	1096	204	1300	

### 5.2 New Gas Tax Projects reported by Project Category

Total New Projects	CWF	POOLED	TOTAL	%
Capacity Building	39	5	44	14%
Local Roads/Cycling	54	2	56	18%
Water	57	2	59	19%
Wastewater	21	2	23	7%
Community Energy	94	4	98	32%
Solid Waste	11	2	13	4%
Public Transit	19	6	25	8%
Total	295	22	318	

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

Spending within the application-based Innovations Fund, Strategic Priorities Fund and the Regionally Significant Projects Fund increased in all programs in 2010. There was also an increase in the number of project reported from the previous year.

Recipient spending under these programs was well over \$32 million in 2010, and included the completion of some major infrastructure and capacity building projects, including the North Okanagan Regional District Duteau Water Treatment Plant; City of Kelowna Pedestrian Overpass; and a Water Gap Analysis for the Fraser Valley Regional District.

New project spending for the total pooled funds was over \$12.5 million, and was reported in all of the eligible project categories.

### Strategic Priorities Fund – TransLink

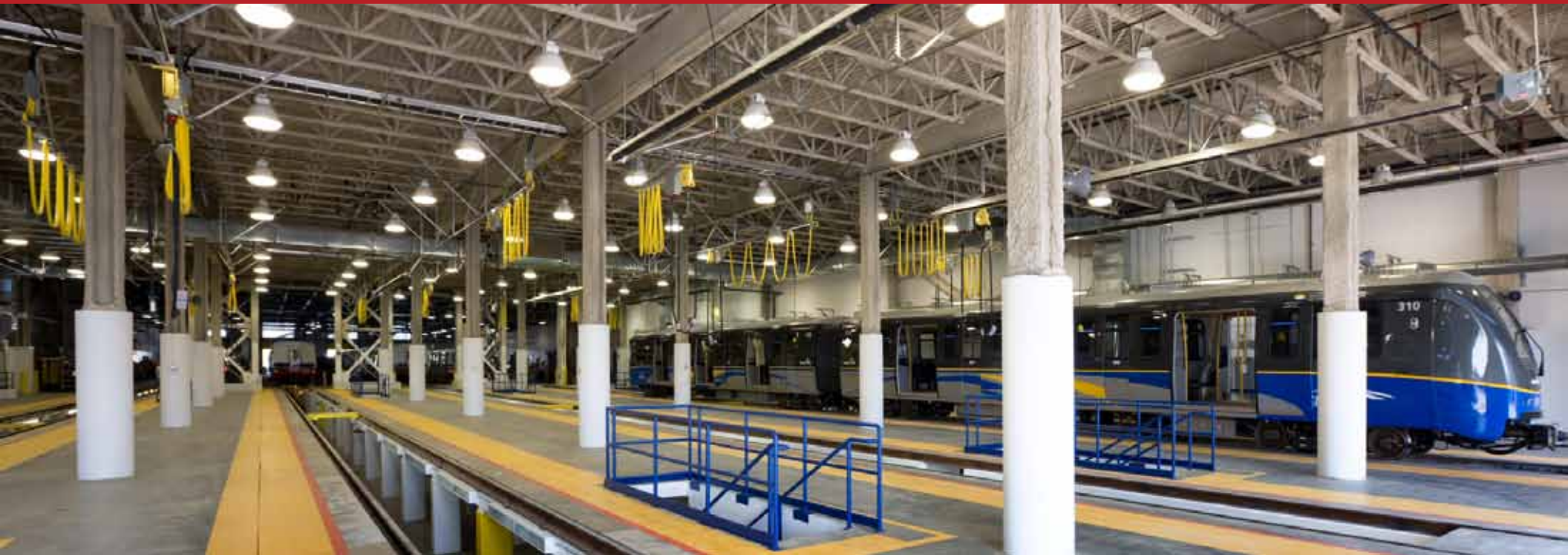
In 2010, TransLink reported spending \$72 million on a number of transportation projects within the GVRD, including the Skytrain Operating and Maintenance Centre-Phase 2; Conventional bus-hybrid Expansions and replacements; Skytrain Mark II Vehicle expansions; and conventional bus fleet replacements.

### Spending by Program and Category

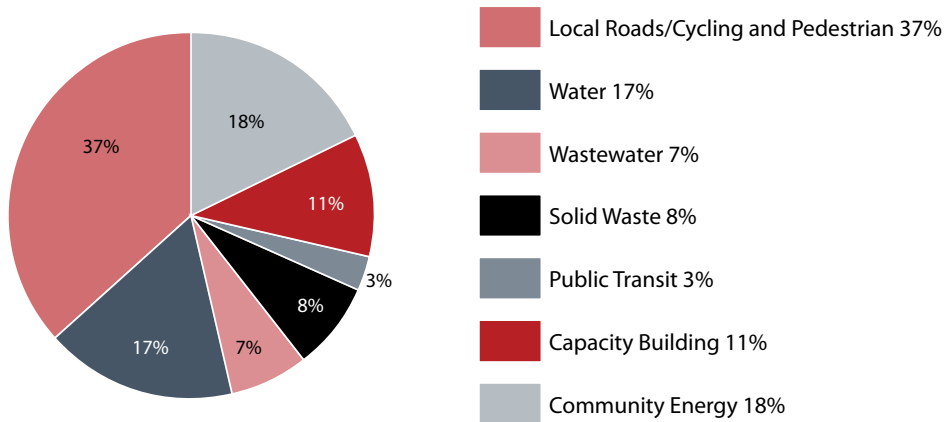
Figure 5.4, 5.5 and 5.6 show the breakdown of spending by category for the Gas Tax funded programs.

As public transit spending through the Strategic Priorities Funds in Greater Vancouver Regional District accounts for nearly half of the total Gas Tax spending, figures 5.4 only accounts for Tier 1 and 2 Community Works Funds.

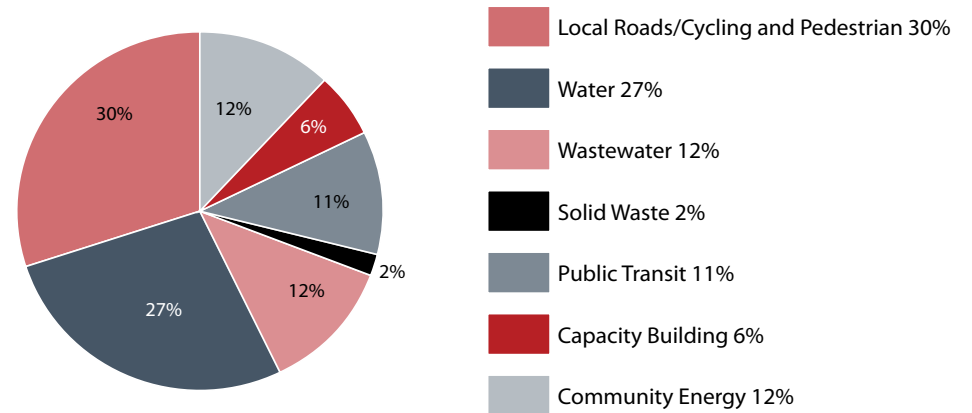
This year saw an increase in spending in the Local Roads/Cycling and Pedestrian and Water projects and a decrease in spending in Wastewater and Community Energy projects.



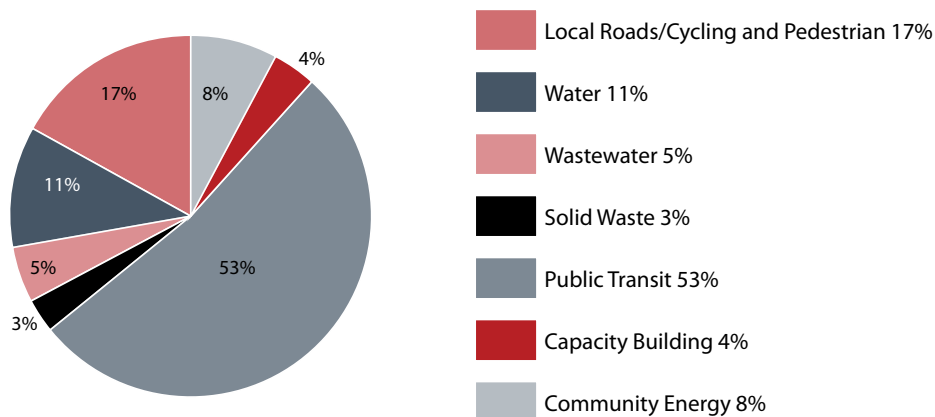
## 5.4 – Total Gas Tax Funding Spent This Year by Project Category for Community Works Funds



## 5.5 – Total Gas Tax Funding Spent This Year by Project Category for General Strategic Priorities Fund, Innovations Fund, and Regionally Significant Projects Fund



## 5.6 – Total Gas Tax Funding Spent This Year by Project Category for all Programs, Including TransLink Spending



## PROJECTS FUNDED – PUBLIC TRANSIT AGREEMENT

In 2010, twenty recipients reported spending on PTA projects. Total spending by recipients in 2010 was \$1.4 million. As Public Transit Agreement funding was mostly allocated in 2009, only \$103,000 was transferred to eligible recipients during the reporting year.

Some of the projects reported by recipients in the 2010 year include:

- Pedestrian bridge for the City of Revelstoke
- Double deck clean diesel buses for the City of Victoria
- Downtown Transit Exchange for the City of Campbell River
- Bus shelters and pull outs for a number of local governments

## 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.

Due to an amendment to section 7.1 of the Gas Tax Agreement, UBCM is now required to prepare and deliver to the federal government an annual expenditure report for the prior calendar year, rather than the prior fiscal year. This change resulted in this AER covering the period from the last report (March 31, 2010) to the end of the prior calendar year (December 31, 2010). Next year's AER will therefore be reporting on January 1, 2011 to December 31, 2011.



From April to December 2010, UBCM received \$250,697,000 federal Gas Tax funds making a cumulative total of \$886,296,664. UBCM has distributed \$644,605,549 of the funds it has received to date – which makes a distribution rate of about 73%. These figures do not include pooled funds that have been committed but are provided to recipients on a claims basis.

As of December 31, 2010, all of the Public Transit Agreement's \$52.54 million has been distributed to eligible recipients. The March 31, 2010 spending deadline for the PTA was extended until March 31, 2011.

Appendix A provides further detail on these receipts and disbursements including changes to opening balance and a reconciliation of transfers from UBCM and receipts by recipients.

## 7.1 Schedule of Receipts and Disbursements

UBCM				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	April 1, 2010 to December 31, 2010	Cumulative Date of Signing to December 2010	April 1, 2010 to December 31, 2010	Cumulative Date of Signing to December 31, 2010
Opening Balance of Unspent Funding	97,706,463.13	0.00	1,706,990.27	0.00
Received from Canada	250,697,000.00	886,296,000.00	0.00	52,543,010.00
Interest and Other Investment Income	994,991.77	8,626,664.61	8,782.72	1,825,631.13
<b>Sub-Total (Available for Spending)</b>	349,398,454.90	894,922,664.61	1,715,772.99	54,368,641.13
Transferred to Eligible Recipients	101,075,630.79 <sup>(3)</sup>	644,549,766.30	100,864.00	52,540,010.00
Spent on Administration Costs	439,752.47	2,489,826.67	125,292.03	339,014.17
Sub-Total (Total Spending)	101,515,383.26	647,039,592.97	226,156.03	52,879,024.17
Closing Balance of Unspent Funds	247,883,071.64	247,883,071.64	1,489,616.96	1,489,616.96
ELIGIBLE RECIPIENTS IN AGGREGATE				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	April 1, 2010 to December 31, 2010	Cumulative Date of Signing to December 31, 2010	April 1, 2010 to December 31, 2010	Cumulative Date of Signing to December 31, 2010
Open Balance of Unspent Funding	214,523,450.83 <sup>(1)</sup>	0.00	1,425,513.04 <sup>(2)</sup>	0.00
Received from UBCM	116,543,263.99 <sup>(3)</sup>	644,549,766.29	103,864.00 <sup>(4)</sup>	52,540,010.00
Interest and other Investment Income	2,290,108.47	13,316,660.44	14,770.29	747,629.66
<b>Sub-Total (Total Available for Spending)</b>	333,356,823.29	657,866,426.73	1,544,147.33	53,287,639.66
Spent on Eligible Projects	146,411,440.80	470,165,530.56	1,446,909.10	53,165,817.12
Spent on Administration Costs	139,985.99	895,499.67	298.20	24,882.51
<b>Sub-Total (Total Spending)</b>	146,551,426.79	471,061,030.23	1,447,207.30	53,190,699.51
Closing Balance of Unspent Funding	186,805,396.50	186,805,396.50	96,940.03	96,940.03

# 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 recipient reports;
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 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.

## Annual Reports and Financial Officer Certifications

There were 173 recipients that were required to file an Annual Report and the Financial Officer certification this year, an increase of one recipient over the previous period. This increase is due to the incorporation of the Resort Municipality of Sun Peaks.

To date, all but 5 recipients have fulfilled their requirement to file an Annual Report.

As of August 31, 2011, 10 recipients had not yet submitted financial statements to the province. This is a considerably lower number than the previous reporting year, when changes to the Public Sector Accounting Board compliance measures came into effect.

As this is a condition of recipient reporting for Gas Tax program funding, UBCM will monitor the progress of these recipients to ensure they meet the PSAB compliance measures before future funding is allocated.

## Recipient Annual Report Audit

UBCM contracted the services of KPMG to conduct an audit of recipients reports for the 2010 reporting year. The findings of the audit will be released in conjunction with this AER.

## 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/business\\_plans.cfm](http://www.busonline.ca/corporate/resources/business_plans.cfm)

The Metro Vancouver transit plans are found at:

[www.translink.ca/en/Be-Part-of-the-Plan/Plans.aspx](http://www.translink.ca/en/Be-Part-of-the-Plan/Plans.aspx)

## Incrementality

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.

### 8.1 Progress Towards Meeting 5-year Incrementality Commitments

	TransLink	BC Transit	Local Governments
Own Source Capital Spending 2006	640,436,000	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

An Audit Report required for the Gas Tax Agreement is included as an appendix. It provides an unqualified audit opinion on UBCM's schedule of Receipts and Disbursements under the Gas Tax Agreement, as well as an unqualified opinion on UBCM's compliance with the evaluation criteria established for the Gas Tax Agreement.

## Leadership in Programming

In the 2010 program year, UBCM reinstituted a number of Gas Tax funded programs, including two application based programs and a regionally based program for Tier 2 regions.

## Communications

During the reporting period UBCM coordinated 12 events and distributed 20 news releases to promote the benefits of the Gas Tax and Public Transit programs for communities. These joint communications included contributions from the Government of Canada, the Government of BC and local governments. As a result of these activities, over \$36 million in funding was highlighted for projects across the province.

A particular focus for UBCM during the reporting period was to work with recipients who had not yet undertaken joint communications. Many local governments in BC lack formal communications capacity. UBCM works with local governments to provide advice, coordinate planning and draft news releases. During the reporting period 7 local governments undertook joint communications for the first time.

The General Strategic Priorities fund was launched in September 2010 for Tier 1 and 2 local governments in British Columbia for projects that were larger in scale or regional in impact. The 2010-2014 Gas Tax extension provided over \$107 million in pooled funding towards the GSPF program.

The Innovations Fund was also launched in September 2010 for all local governments in British Columbia. The 2010-2014 Gas Tax extension provided over \$50 million in pooled funding towards the IF program.

The Regionally Significant Project Fund was also launched in September 2010 which reserved a portion of the 2010-2014 Gas Tax pooled funds for Tier 2 regions for projects that were larger in scale or regional in nature, and promoted regional collaboration. The RSP fund intake goes to September 2012 and all project proposals are developed through a regional working group process.



## LOOKING AHEAD

In the 2011 budget, the federal government committed to make permanent the Gas Tax Agreement annual investment to local governments across Canada. This permanency will allow for long-term predictable and secure funding for local governments for sustainable infrastructure and capacity building projects. UBCM will be working with our federal and provincial partners as the move to permanency progresses.

UBCM will also be working with our federal and provincial Gas Tax partners in the next funding year on approving a number of Innovations Funds, General Strategic Priorities Funds and Regionally Significant Projects Funds grants – investing a further \$150 million in local



government infrastructure and capacity building projects. In the coming year UBCM will focus on enhancing Gas Tax outreach initiatives throughout the province. The aim will be to increase awareness of Gas Tax program benefits for small, medium and large local governments. UBCM will engage with local governments on program and project options moving towards a permanent annual federal investment in sustainable infrastructure and capacity building.



## APPENDIX A: FOOTNOTES

Footnote 1: Reconciliation of Gas Tax recipient reporting opening balance of unspent funding, January, 2009.

The following table reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 31, 2009, as reported in Schedule 7.1.

Closing Balance of Unspent Funding December 31, 2009, as previously reported:	\$220,736,016.37
Plus: Additional interest reported for prior periods:	\$19,730.05
Less: Addition of administration costs reported in prior periods:	\$13,888.43
Less: Restatement of Gas Tax spending on projects from prior periods:	\$6,218,403.80
Closing Balance of Unspent Funding December 31, 2009, as restated:	\$214,523,450.83

Footnote 2: Reconciliation of Public Transit recipient reporting opening balance of unspent funding, January, 2009.

The following table reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 31, 2009, as reported in Schedule 7.1.

Closing Balance of Unspent Funding December 31, 2009, as previously reported:	\$975,759.49
Plus: Restatement of spending on projects from prior periods:	\$449,694.04
Plus: Additional interest reported for prior periods	\$119.09
Less: Addition of administration costs reported in prior periods	\$119.09
Adjustment	\$59.51
Closing Balance of Unspent Funding December 31, 2009, as restated:	\$1,425,513.04

Footnote 3: Reconciliation of amounts transferred to Eligible Recipients by UBCM to amounts Eligible Recipients report as received from UBCM.

UBCM was required to report on a fiscal year and recipients report on a calendar year. Although the Gas Tax Agreement has been amended so that

UBCM and recipients both report on a calendar year, amounts received by eligible recipients including payments made from January to March 2010, are not included as amounts received by eligible recipients. Payments January to March total \$15,411,850.20. In addition a refund of \$44,783 was made to UBCM for a payment received by Greater Vancouver Sewage and Drainage in a prior year for a total difference between funds transferred by UBCM and funds received by recipients of \$15,467,633.20.

The following are details of the relevant payments:

Capital Regional District: \$112,656; Coldstream \$16,548; Columbia Shuswap RD \$238,684; Columbia Shuswap RD \$102,267; Esquimalt \$71,434; Hazelton \$149,192; Nakusp \$319,715; Okanagan Basin Water Board \$134,746; Penticton \$7,169,000; Sunshine Coast RD \$113,278; Taylor \$493,182; Vanderhoof \$37,000; Vernon \$681,530; Fort St. James \$5,000; Nakusp \$14,558; Nakusp \$38,122; North Vancouver \$175,360; Quesnel \$5,000; Saanich \$143,959; Victoria \$995,819; Wells \$26,224; BC Transit \$849,454.20; Cowichan Valley RD \$104,250; Okanagan-Similkameen RD \$15,000; Oliver \$53,937; Armstrong \$1,203,600; Summerland \$178,574; Chilliwack \$1,623,247; Capital Regional District \$91,496; Capital Regional District \$249,018; TOTAL: \$15,411,850.20

Footnote 4: A refund of \$3000 was made to UBCM for a payment received by City of Kimberley in a prior year.

# APPENDIX B

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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the period April 1, 2010 to December 31, 2010



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## **INDEPENDENT AUDITORS' REPORT**

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the accompanying schedule of receipts and disbursements as set out in the Annual Expenditure Report of the Union of British Columbia Municipalities for the period from April 1, 2010 to December 31, 2010 and notes, comprising a summary of significant accounting policies and other explanatory information (together "the Annual Expenditure Report"). The Annual Expenditure Report has been prepared by management in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

### *Management's Responsibility for the Annual Expenditure Report*

Management is responsible for the preparation of the Annual Expenditure Report in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Annual Expenditure Report in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Annual Expenditure Report that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this Annual Expenditure Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Expenditure Report is free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Expenditure Report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Annual Expenditure Report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Annual Expenditure Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Expenditure Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Annual Expenditure Report – Receipts and Disbursements of the Union of British Columbia Municipalities for the period from April 1, 2010 to December 31, 2010 is prepared, in all material respects, in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

#### *Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the Annual Expenditure Report, which describes the basis of accounting. The Annual Expenditure Report is prepared to meet the requirements of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia. As a result, the Annual Expenditure Report may not be suitable for another purpose. Our report is intended solely for the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia and should not be used by parties other than the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

September 28, 2011  
Burnaby, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements

For the period April 1, 2010 to December 31, 2010

### Receipts and disbursements of the Union of British Columbia Municipalities

	From the date of signing, September 19, 2005 to March 31, 2010	April 1, 2010 to December 31, 2010	Cumulative from September 19, 2005 to December 31, 2010
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 97,707,000	\$ -
Received from Canada	635,599,000	250,697,000	886,296,000
Investment Income	7,632,000	995,000	8,627,000
Sub-Total (total available for spending)	643,231,000	349,399,000	894,923,000
Transferred to Eligible Recipients	543,474,000	101,076,000	644,550,000
Spent on Administration Costs	2,050,000	440,000	2,490,000
Sub-Total (total spending)	545,524,000	101,516,000	647,040,000
Closing Balance of Unspent Funds	\$ 97,707,000	\$ 247,883,000	\$ 247,883,000

See accompanying notes to the Annual Expenditure Report - Receipts and Disbursements of the Union of British Columbia Municipalities.

Approved by:



September 30, 2011

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements

For the period April 1, 2010 to December 31, 2010

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## **Background:**

On September 19, 2005, the Union of British Columbia Municipalities (the “UBCM”), the Government of Canada (“Canada”) and the Province of British Columbia (the “Province”) entered into an agreement under the New Deal for Cities and Communities on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 (the “Agreement”). The Agreement is focused on achieving three environmental sustainability outcomes: reduced greenhouse gas emissions, cleaner water and cleaner air with reliable and predictable funding. The Agreement will result in contributions of \$635,599,000 (the “Gas Tax Fund”) to B.C. local governments and other Eligible Recipients from 2005/2006 to 2009/2010 through three delivery mechanisms: a Community Works Fund, a Strategic Priorities Fund and an Innovations Fund. An Eligible Recipient is defined in Section 1.1 of the Agreement.

The Gas Tax Fund provides funding for B.C. local governments and other eligible recipients for a variety of capital and planning projects. Eligible Project categories include:

- a) Public transit,
- b) Community energy systems,
- c) Solid waste management,
- d) Water and wastewater; and
- e) Capacity building / Integrated Community Sustainability Planning.

On March 17, 2008, the Agreement was amended to provide additional contributions of \$1,002,788,000 from 2010/2011 to 2013/2014.

UBCM administers the funding under each of these programs and is responsible for reporting to Canada and the Province on the use of funding and outcomes achieved.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements (continued)

For the period April 1, 2010 to December 31, 2010

---

## **1. Basis of presentation:**

The Annual Expenditure Report - Receipts and Disbursements of the UBCM (the "Annual Expenditure Report") has been prepared in accordance with the financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province.

Significant interpretations of the financial reporting provisions of Section 1.5 of the Agreement between the UBCM, Canada and the Province include:

- (a) The financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province require the Annual Expenditure Report to be prepared in a manner consistent with generally accepted accounting principles (GAAP). The UBCM has interpreted GAAP to be the recognition and measurement principles of Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by GAAP for a complete set of financial statements.

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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

As at December 31, 2010



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## AUDITORS' REPORT ON COMPLIANCE WITH EVALUATION CRITERIA

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at December 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, March 20, 2008 and September 24, 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 December 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

September 28, 2011  
Burnaby, Canada

**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”)**  
**December 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, 2010 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”)**  
**December 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 6.2 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 Tiers 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”)**  
**December 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.3 (continued)			<p>Works Funds and Strategic Priorities Funds.</p> <p>Funding available to Tiers 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 December 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> </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”)**  
**December 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.3 (continued)			<p>(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 Strategic Priorities Fund.</p> <p>Approved Community Works Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>
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”)**  
**December 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”)**  
**December 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>The UBCM is required to obtain approval of a new business case only if the cumulative combined administration costs incurred exceeds the amount previously approved by the federal Minister of Transport, Infrastructure and Communities in UBCM’s Business Case, for the period from April 1, 2008 to March 31, 2010.</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 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> <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>

**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”)**  
**December 31, 2010**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.6.3 (continued)		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, except for audit and compliance costs directly allocated to the Gas Tax and Public Transit Fund as specifically required under each agreement.	<p>The administration amounts allocated to the combined funds by UBCM from April 1, 2008 to December 31, 2010 have not exceeded the total amount set out in the 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, except for audit and compliance costs directly allocated to the Gas Tax and Public Transit Fund as specifically required under each agreement.</p>

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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended December 31, 2010



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## INDEPENDENT AUDITORS' REPORT

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the accompanying Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2010 and notes, comprising a summary of significant accounting policies and other explanatory information (together “the Annual Expenditure Report”). The Annual Expenditure Report has been prepared by management in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

### *Management's Responsibility for the Annual Expenditure Report*

Management is responsible for the preparation of the Annual Expenditure Report in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Annual Expenditure Report in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Annual Expenditure Report that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this Annual Expenditure Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Expenditure Report is free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Expenditure Report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Annual Expenditure Report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Annual Expenditure Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Expenditure Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2010 is prepared, in all material respects, in accordance with the financial reporting provisions in Section 1.5 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

#### *Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the Annual Expenditure Report, which describes the basis of accounting. The Annual Expenditure Report is prepared to meet the requirements of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia. As a result, the Annual Expenditure Report may not be suitable for another purpose. Our report is intended solely for the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia and should not be used by parties other than the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants

September 28, 2011  
Burnaby, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the year ended December 31, 2010

### Receipts and disbursements of Eligible Recipients of the Union of British Columbia Municipalities

	From the date of signing March 31, 2006 to December 31, 2009	January 1, 2010 to December 31, 2010	Cumulative from March 31, 2006 to December 31, 2010
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 220,737,000	\$ -
Received from UBCM	528,062,000	116,488,000	644,550,000
Investment Income	11,007,000	2,309,000	13,316,000
Sub-Total (total available for spending)	539,069,000	339,534,000	657,866,000
Spent on Eligible Projects (note 4)	317,591,000	152,575,000	470,166,000
Spent on Administration Costs	741,000	154,000	895,000
Sub-Total (total spending)	318,332,000	152,729,000	471,061,000
Closing Balance of Unspent Funds	\$ 220,737,000	\$ 186,805,000	\$ 186,805,000

See accompanying notes to the Annual Expenditure Report of Eligible Recipients of the Union of British Columbia Municipalities.

Approved by:



September 30, 2011

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the year ended December 31, 2010

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### **Background:**

On September 19, 2005, the Union of British Columbia Municipalities (the "UBCM"), the Government of Canada ("Canada") and the Province of British Columbia (the "Province") entered into an agreement under the New Deal for Cities and Communities on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 (the "Agreement"). The Agreement is focused on achieving three environmental sustainability outcomes: reduced greenhouse gas emissions, cleaner water and cleaner air with reliable and predictable funding. The Agreement will result in contributions of \$635,599,000 (the "Gas Tax Fund") to B.C. local governments and other Eligible Recipients from 2005/2006 to 2009/2010 through three delivery mechanisms: a Community Works Fund, a Strategic Priorities Fund and an Innovations Fund. An Eligible Recipient is defined in section 1.1 of the Agreement.

The Gas Tax Fund provides funding for B.C. local governments and other eligible recipients for a variety of capital and planning projects. Eligible Project categories include:

- a) Public transit,
- b) Community energy systems,
- c) Solid waste management,
- d) Water and wastewater; and
- e) Capacity building / Integrated Community Sustainability Planning.

On March 17, 2008, the Agreement was amended to provide additional contributions of \$1,002,788,000 from 2010/2011 to 2013/2014.

UBCM administers the funding under each of these programs and is responsible for reporting to Canada and the Province on the use of funding and outcomes achieved.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2010

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### 1. Basis of presentation:

The Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients of the UBCM (the "Annual Expenditure Report") has been prepared in accordance with the financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province.

Significant interpretations of the financial reporting provisions of Section 1.5 of the Agreement between the UBCM, Canada and the Province include:

- (a) The financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province require the Annual Expenditure Report to be prepared in a manner consistent with generally accepted accounting principles (GAAP). The UBCM has interpreted GAAP to be the recognition and measurement principles of Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by GAAP for a complete set of financial statements.

The following terms in notes 2 and 3 have been defined in the Agreement.

### 2. Eligible Costs:

#### a) Project costs:

Eligible Costs are all direct costs that are 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:

- i) the capital costs of acquiring, constructing or renovating a tangible capital asset and any debt financing charges related thereto;
- ii) 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;
- iii) the costs of environmental assessments, monitoring and follow-up programs, as required by the Canadian Environmental Assessment Act or a provincial equivalent; and
- iv) the costs related to strengthening the ability of Local Governments to develop Integrated Community Sustainability Planning.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2010

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## 2. Eligible Costs (continued):

### b) 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:

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

### c) Administration costs:

The portion of Gas Tax Funds representing interest earned may be used to pay for administration costs.

## 3. Ineligible costs:

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 those defined under project costs in note 2(a);
- 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 those defined under project costs in note 2(a);

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2010

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## **3. Ineligible Costs (continued):**

- i) routine repair and maintenance costs;
- j) legal fees;
- k) administrative costs incurred as a result of implementing this Agreement, except those defined as administration costs in note 2(c); and
- l) audit and evaluation costs.

## **4. Spent on Eligible Projects:**

Included in the Spent on Eligible Projects of \$152,575,000 is \$5,864,000 of disbursements made by Eligible Recipients in excess of the Gas Tax Funds received by them as at December 31, 2010. These disbursements are expected to be funded through future Gas Tax Funding receipts.