

# GAS TAX AND PUBLIC TRANSIT AGREEMENTS IN BC

# 2011



## Annual Expenditure Report

This Annual Expenditure and Audit Report for the Period January 1, 2011 to December 31, 2011 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

### 2011 AER Report

The 2011 reporting year was highlighted by a number of milestones for the Gas Tax Agreement and Public Transit Agreement in British Columbia.

The Government of Canada enacted legislation in 2011 to make the Gas Tax Fund a permanent program for investments in local government infrastructure beyond the current completion date of 2015.

The Public Transit Fund (PTF) delivered funding to 50 community transit systems throughout the province that contributed to outcomes of reduction in greenhouse gas emissions, reduced smog-forming emissions and increased transit ridership.

UBCM continues to administer the Gas Tax Fund with the commitment to efficient program delivery, continued program advancement and communicating program benefits to communities.

We are pleased to present program and project highlights of the 2011 Gas Tax Agreement as well as provide a completion report of the Public Transit Fund in our Annual Expenditure Report.

With this commitment of permanent Gas Tax funding, local governments will continue to make Gas Tax Fund investments aimed at improving aging infrastructure and developing healthy, green, livable communities which encourage economic growth and job creation. These objectives have been highlighted as commitments of Canada through the Economic Action Plan and British Columbia through the BC Jobs Plan.

Total infrastructure and capacity building Gas Tax funded projects surpassed the 1,500 milestone in 2011 and continue to increase annually. Local government have also invested over half a billion dollars in local infrastructure since the beginning of the GTA.

In addition, the Public Transit Fund, which saw over \$50 million invested in transportation infrastructure since 2006, wrapped up in March of 2011.





## GAS TAX FUND OVERVIEW

The Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement or GTA) is a tri-partied agreement amongst the federal and provincial governments and UBCM. The Gas Tax Agreement transfers federal funding to local governments and other eligible recipients for investments in local infrastructure and capacity building projects.

From 2005-2014, over \$1.6 billion in federal funding will be transferred to British Columbia for eligible projects that result in cleaner air, cleaner water or reduced greenhouse gas emissions. Funding is also being invested into capacity building activities that promote integrated community sustainability planning principles.

Community Tier	Jurisdiction
Tier 1	All areas of BC except 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 municipalities.
Tier 3	Greater Vancouver Regional District and its member municipalities.

UBCM administers the funding through a number of Gas Tax funding streams and is responsible for reporting annually on the use of funds. This 2011 UBCM Annual Expenditure Report fulfils this reporting requirement for January 1, 2011 to December 31, 2011.

### Gas Tax Program – Community Tiers and Funding Programs

The GTA is delivered through a number of funding programs, each with unique features designed to benefit the diversity of British Columbia's local governments.

For the purpose of delivering certain funding programs, the province has been divided into three community tiers based on specific characteristics including population density, degree of urbanization and the need for intra-regional infrastructure:

The funding mechanism under the Gas Tax Agreement consists of three funding streams: Community Works Fund (CWF), Innovations Fund (IF), and a General Strategic Priorities Fund (GSPF). The GSPF funding stream is delivered through three distinct programs: the Regionally Significant Project Fund (RSP), Greater Vancouver Strategic Priorities Fund (SPF) and the General Strategic Priorities Fund (GSPF). The following table illustrates the programs delivered from each funding stream.

## Gas Tax Funding Streams

Funding Stream	Community Works	Innovations	General Strategic Priorities Fund		
Program	Community Works Fund (CWF)	Innovations Fund (IF)	General Strategic Priorities Fund (GSPF)	Regionally Significant Projects Fund (RSP)	Greater Vancouver Strategic Priorities Fund (SPF)
Tier	Available for Tiers 1 and 2	Available for Tiers 1,2,3	Available for Tiers 1 and 2	Available for Tier 2	Available for Tier 3
Purpose or Objectives	Supports the achievement of local priorities through an allocation based on population and a funding floor	Provides funding for projects which reflect an innovative approach to achieving the Gas Tax program outcomes	Provides funding for strategic investments that are larger in scale or regional in impact		





## GAS TAX PROJECT HIGHLIGHTS

British Columbia's economy depends upon high quality local government infrastructure. Roadways, transit systems and core utilities all play a critical role in the production, movement and acquisition of goods and services.

The Gas Tax Fund plays a vital role in helping local governments replace aging, inefficient infrastructure and expand existing facilities to keep up with growing populations, shifting community priorities and higher regulatory standards. The projects highlighted below provide a window into the community benefits provided by the hundreds of projects that were under construction through the reporting period.



### Improving Roadways in Saanich

When the District of Saanich approved the \$350 million redevelopment of a conventional plaza into a village-style urban neighbourhood with retail, office and residential space, the municipality sat down with the developer to assess the transportation needs for the complex. One of the areas identified for improvement was Tattersall Drive, a major road that links the development with the major highways in the region. Saanich used investments from the Gas Tax Fund along with developer contributions and local revenues to complete a rehabilitation of the road including its underlying storm, sewer and water utilities. The project also included a storm water filtration system, intersection improvements to enhance safety and traffic flow, and the addition of bike lanes and sidewalk enhancements to support universal access to the new development.



## Expanding the Capital Region Cycling Network

British Columbia's Capital Region leads Canada in the percentage of commuter trips that are made using a bicycle at 3.2%. The Capital Regional District's Cycling Master Plan aims to build cycling infrastructure to increase the rate to 15% across the region and 25% in urban areas by 2038.

The key to achieving this goal is the construction of an integrated cycling network, including 329 kilometres of separated bike lanes, about ¼ of which already is completed. The E&N Rail Trail – Humpback Connector, funded through the Gas Tax program, is a critical part of the regional network, linking the communities Victoria, Esquimalt, View Royal and Langford. Phase 1 is underway and will provide a 14.3-kilometre multi-use trail between Victoria and the West Shore.

## Building Rider Friendly Public Transit in Metro Vancouver

With a 1,600-bus fleet that is integrated with a rapid transit system and a ferry service, transfer efficiency is vital to attracting and sustaining riders. TransLink is using Gas Tax funding to introduce a new electronic fare card system and associated equipment at all SkyTrain, SeaBus and West Coast Express stations and the entire bus fleet in Metro Vancouver. Four variations of the new, reloadable card and four types of electronic tickets—called Compass—will replace over 150 current passes and tickets, making the new system more convenient and easy to use.

The Compass system will also improve data and information on travel patterns to allow TransLink to better plan its transit services, allocate its fleet more effectively and operate more efficiently. All together, these changes will make choosing transit easier than ever, translating to increased ridership, fewer cars on the roads, reduced emissions and improved air quality in Metro Vancouver.





## Building a Cleaner Fleet in Prince George

The Gas Tax Fund has helped the City of Prince George to take another step forward in achieving its plan for a green fleet through the purchase of a zero emissions electric car and four charging stations. The City will share the car with three other partners in an initiative designed to increase public awareness of the benefits of electric vehicles. Not only will the new car eliminate the emissions of the fleet car it is replacing, the vehicle will provide an annual fuel and maintenance savings of nearly \$3000.



## Increasing Energy Efficiency in the Northern Rockies

The Northern Rockies Regional Municipality (NRRM) was able to increase the efficiency of the heating and cooling system at its 150,000 sq. ft. community recreation facility thanks to a contribution from the Gas Tax Fund. The new installations include a heating system that uses the thermal energy created from ice production to prevent floor freezing and provides for the entire facility's hot water needs; an HVAC system that recycles excess heat for use in the arena dressing rooms; and energy-efficient boilers. By installing equipment that exceeds typical design standards, NRRM is reducing the long-term operations costs of the facility while also reducing emissions.

## Securing the Water Supply in Trail

Many communities in British Columbia have infrastructure that has exceeded or is nearing the end of its lifecycle. These systems can pose a risk to public health and safety. For 75 years, the City of Trail has relied upon an open-air reservoir with a floating cover for its water supply. By saving its annual allocations from the Gas Tax Fund over a number of years, Trail was able to construct a new enclosed water reservoir with state of the art monitoring controls that will provide increased capacity, better water quality and reduced operator maintenance.



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## Improving Water Quality in Valemount

The Gas Tax Fund contributed to the construction of a new water treatment plant for the Village of Valemount that included a new filtration plant and building, associated piping and electrical works and the installation of a low lift pump. This new plant has brought water quality in the Village into compliance with national guidelines for drinking water quality and the Northern Heath Authority treatment standards. As a result of decreased turbidity and protozoa, the Village is able to reduce the quantities of chlorine and chemicals used to treat the water. The new system will also reduce energy consumption for the treatment process and the water demands of the facility. In order to extend the lifecycle of the new facility, Valemount has also launched a water conservation program.



## Replacing Brick Sewers in Victoria

Aging infrastructure represents a significant risk to communities, both in terms of the direct costs to repair or replace failed systems as well as the indirect costs, including service loss, environmental harm, property damage and public safety. The City of Victoria has 10.7 km of brick storm sewers that were constructed in the 1860's. The overall cost of an emergency repair to these storm sewers is six times greater than a planned repair.

The City is using Gas Tax funds to fully inventory the existing storm water system to assess and repair the brick pipe conditions and ensure that the sections that pose the greatest risk in terms of costs are repaired first. The project uses a unique trenchless liner system that builds new, secure sewers within the existing lines, using cured in place pipe and glass reinforced plastic liners.



## Accelerating Landfill Upgrades in Squamish

Local governments considering major self-financed capital projects often need to phase construction to work within budgetary limits. By transferring federal funds to communities, the Gas Tax program accelerates the pace of construction for many large-scale projects.

The District of Squamish estimated that self-financed environmental upgrades to its landfill would take 15 years to complete. Thanks to a contribution from the Gas Tax Fund, the improvements will be complete in just 3 years. The project will see the extension of a liner throughout the landfill to assist the collection of leachate (contaminated water as a result of contact with solid waste) the construction of a pond to collect and pre-treat the leachate; depot improvements to encourage waste diversion; and new infrastructure that will support future treatment of landfill gas.



### Improving Solid Waste Collection in Chase

The Village of Chase launched its first curbside recycling program after the purchase of an automated truck with Gas Tax funds. The truck design allows for the simultaneous collection of waste and recyclable materials, reducing GHG emissions resulting from transportation. In 2011, the curbside program was able to divert 169 tonnes of material from the landfill. By increasing waste diversion, Thompson Nicola Regional District - the operator of the landfill - has saved over \$100,000 per year in operating costs for the site. Similarly, the tipping fees paid by Chase are now less than half of the cost prior to the introduction of the curbside program. This project is a great example of multiple benefits and improved efficiency through federally supported capital investment.



### Improving Capital Planning in Fraser Valley Regional District

A challenge facing many BC regional districts is the cost of improving water systems in rural areas that have a limited property tax base.

Fraser Valley Regional District (FVRD) used Gas Tax Funds to undertake a region-wide strategy to upgrade water systems in unincorporated communities. Phase 1 of the project examined every water system in the region to assess current performance. This research allowed the FVRD to develop a policy framework to guide Board decisions on service delivery, governance, cost recovery, priority setting and water system acquisition. Phase 2 of the project will use Gas Tax and leveraged funding to undertake 33 capital projects, including pump-house and well head improvements, new monitoring systems, reservoir construction and pipeline extensions. The result is a comprehensive overhaul of rural water systems in the FVRD.

## GAS TAX PROGRAM HIGHLIGHTS

### Projects Funded

Overall, the number of projects reported on during the 2011 reporting year increased by 12% from the prior reporting period. Local Governments and other eligible recipients reported spending on a total of 533 projects. There was also 3% increase in the number of new projects starting in 2011, which totaled 329.

## 2011 Report Gas Tax Projects:

- 329 New Gas Tax funded projects for 2011
- 533 Total Active Gas Tax funded projects for 2011
- 1577 Cumulative Gas Tax funded projects since 2005

### Jobs and the Economy

With investment in local government infrastructure comes economic growth and job creation, both significant priorities for Canada, through the Economic Action Plan, BC, through the BC Jobs Plan, and for local governments.

Since 2005, over half a billion dollars has been invested directly into local government and transit infrastructure in BC. Using the BC Local Area Economic Dependencies Input-Output Model this equates to the creation of over 3200 direct jobs and 1770 indirect jobs through the investment of Gas Tax funds.



### Project Categories

As in prior years, the majority of Gas Tax funded projects fell within the Community Energy, Water Infrastructure, Local Roads/Active Transportation, and Capacity Building project categories. 2011 saw a slight decrease in the category of Capacity Building and increases in Water projects.

The charts below show 2011 project breakdown by category and the cumulative breakdown by category.

### Pooled Funding – General Strategic Priorities Fund, Innovations Fund and Regionally Significant Projects Fund

In 2011 applications were being accepted for two Gas Tax programs. The General Strategic Priorities Fund and the Innovations Fund application

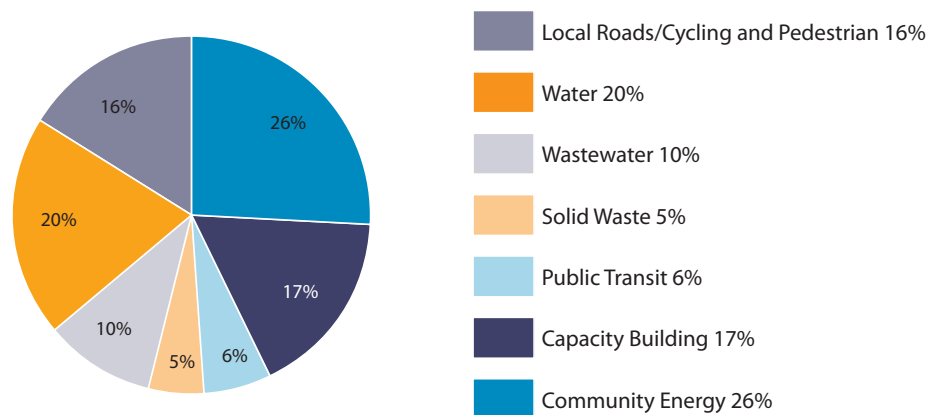
intakes were launched in September 2010 and submissions were accepted until April 2011.

In December 2011, the Gas Tax Management Committee approved a total of 52 projects under the programs, totaling over \$104 million, for local infrastructure and capacity building projects throughout the province.

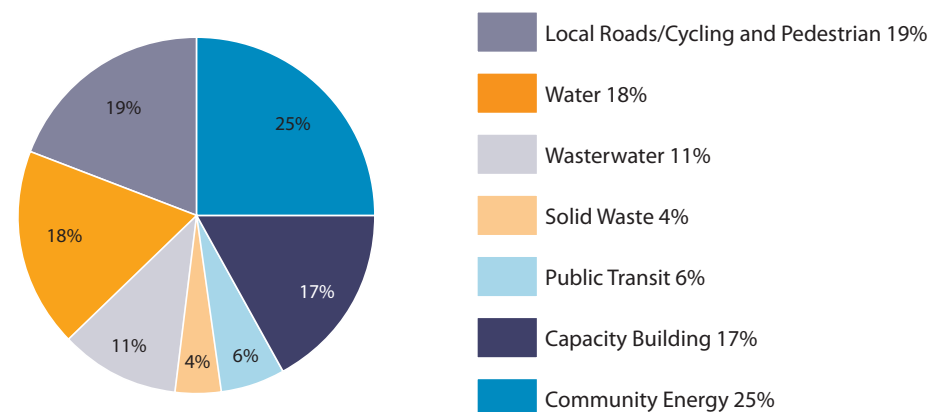
The Regionally Significant Project Fund program was also active in 2011. The fund is available to Tier 2 regions for projects that are larger in scale, regional in scope, and considered regional collaboration.

Staff from regional districts, municipalities, UBCM and the province formed working groups aimed at developing a process for identifying regional infrastructure and capacity building priorities within the region. The intake deadline for RSP submissions is September 2012.

#### Gas Tax Funded Projects by Category 2011



#### Cumulative Gas Tax Funded Projects by Category





## Transfers and Spending

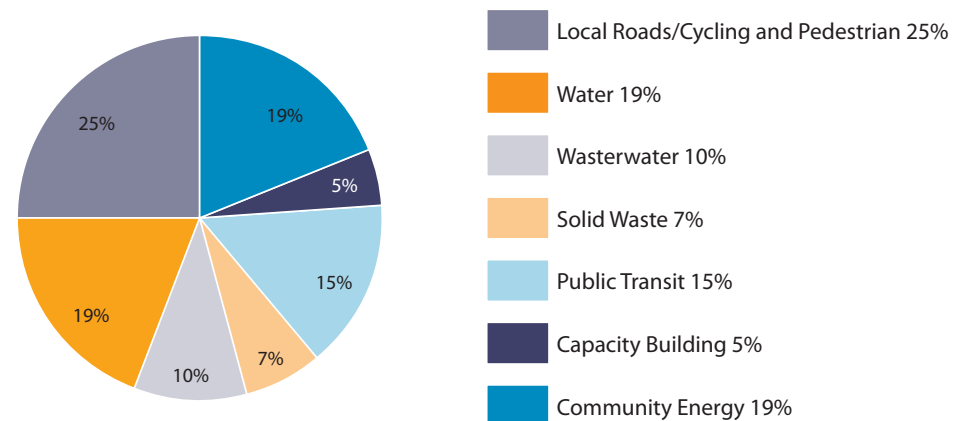
In 2011, UBCM disbursed over \$347 million in Gas Tax funds to Local Governments and other eligible recipients, bringing the cumulative total to over \$991 million.

Eligible recipients have spent \$83.3 million in 2011 on local infrastructure and capacity building projects, for a total of \$554 million spent to date. 2011 saw a significant change in spending by Gas Tax project category. Public transit projects have historically seen the highest investment of Gas Tax funding each year – mainly due to Strategic Priorities Funded TransLink projects within the Greater Vancouver Regional District.

TransLink Gas Tax investments were significantly less in 2011 than in prior years which allowed for an even distribution of Gas Tax spending in all categories.

The following chart shows the spending by project category.

**Total GTF Spent by Category in 2011**



## PUBLIC TRANSIT FUND

The Agreement on the Transfer of Funds for Public Transit (Public Transit Fund or PTF) provided over \$52.5 million in federal funding to eligible recipients from 2006 to 2011 for projects which contributed to a reduction in greenhouse gas emissions, reduced smog-forming emissions and increased transit ridership.

The program funding was invested in public transit infrastructure capital projects that developed or improved:

- Public transit systems;
- Road system improvements that encourage a reduction in car dependency;
- Public transit innovative technologies that support environmental sustainability; and
- Paths and trails designed for commuting.

Although BC Transit, TransLink and local governments saw the majority of PTF funds for investments in buses and other rolling stock, local governments also benefitted from other transportation infrastructure, including bus pullouts, bike paths, pedestrian bridges and transit exchanges.

The Public Transit Fund also provided leveraging opportunities for recipients as the provincially funded Public Transit Infrastructure Program (PTIP), also administered through UBCM saw over \$52 million invested into the joint provincial/local government public transit systems.



### Valuing the Public Transit Fund: BC Transit & TransLink

#### BC Transit

In the 2011/2012-business year, BC Transit achieved a new record for ridership, with more than 51 million passengers. It's a milestone that BC Transit shares with its many partners; local governments, operating companies, the Government of British Columbia and the Government of Canada.

Increased ridership is driven by many factors, not least of which is capital investment to expand service and upgrade existing fleets. The Public Transit Fund has helped purchase or fund 103 transit vehicles in BC communities. The PTF also contributed to the successful completion of Transit Centres in Whistler and Vernon.

Both new facilities combine operations and maintenance; and have been built to accommodate growth for the next 25 years.

“BC Transit is a Canadian industry leader with more trips per hour and lower operating costs than its similar sized competitors,” said BC Transit President and CEO Manuel Achadinha. “The Public Transit Fund is a perfect example of how strong partnerships with the Federal Government can make BC Transit the affordable choice for our growing customer base.”

Systems for more than half of the 130 communities served by BC Transit were enhanced through the Public Transit Fund.



Victoria’s high-profile and highly successful double decker fleet is tied to the Public Transit Fund with the purchase of 16 buses.

Prince George took possession of three new buses with the support of the Public Transit Fund. The city is seeing tremendous growth in public transit with 2.2 million trips in 2011/12 as compared with 1.9 million in 2010/11.

From BC Transit’s largest centres like Victoria and Prince George to the resilient smaller communities it serves like the Sunshine Coast and Quesnel; striking a balance between reasonable fares and the cost of doing business is a challenge.

Mayor & BC Transit Board member Mary Sjostrom.

*“When we can rely on senior governments for financial support, the burden on municipal taxpayers in Quesnel is lessened. It’s a winning combination.”*



## TransLink

Metro Vancouver is a key hub in Canada's Asia Pacific Gateway, with significant population growth and bustling international trade. Within this environment, TransLink operates what is arguably one of the largest fully integrated public transportation systems in Canada, providing over one million transit passenger boardings each day. This effective and efficient transportation system is key to maintaining a sustainable and livable region.

Senior government investment through funding programs such as the Public Transit Fund and Public Transit Infrastructure Program has made possible the development of a fully accessible fleet that serves the entire Lower Mainland; these transit improvements have also reduced traffic congestion and related emissions, and improved air quality and productivity.

PTF and PTIP investments in HandyDART in 2007 and 2008 helped replace 20 per cent of the older buses and grow the fleet by 21 per cent. This equated to a 15 per cent expansion in service for the region's most vulnerable and mobility challenged.

In 2009, the Expo and Millennium SkyTrain lines became eligible for program support, which helped expand the fleet by 23 per cent, and led to a 25 per cent expansion in service and increased ridership. This increased ridership is equal to taking approximately 2000 vehicles per day off the road.

TransLink recognizes and values the contributions of its senior government partners, and will continue to work closely with all of them on programs such as these, which ensure the economic, social and environmental vitality of the region continues to flourish.

TransLink remains focused on delivering the best service possible to its customers within its funding framework, and it continues to work towards establishing the sustainable funding sources required to ensure regional transit will continue to meet the needs of a growing and aging population.

PTF and PTIP investments in TransLink's Community Shuttles from 2006 through 2008 helped fund a 71 per cent expansion in service by increasing the fleet by 24 per cent and replacing over 60 per cent of the old shuttle fleet that had reached the end of its service life. In the four years that followed this investment ridership increased by 23 per cent. The investment also enabled more shuttles to replace larger buses, resulting in improved efficiencies and enhanced route productivity.



## PUBLIC TRANSIT FUND PROJECT HIGHLIGHTS

### Kelowna

The transit system in the City of Kelowna has achieved one of the strongest ridership increases for communities of its size in Canada over the last five years, with some double-digit annual ridership growth in recent years. Improvements (such as transit shelters and pedestrian pads) have been made to 84 bus stops throughout the Kelowna Regional Transit System in the communities of Lake Country, Peachland, West Kelowna and Kelowna. These improvements have also increased the visibility and viability of transit ridership along the Highway and throughout the region.



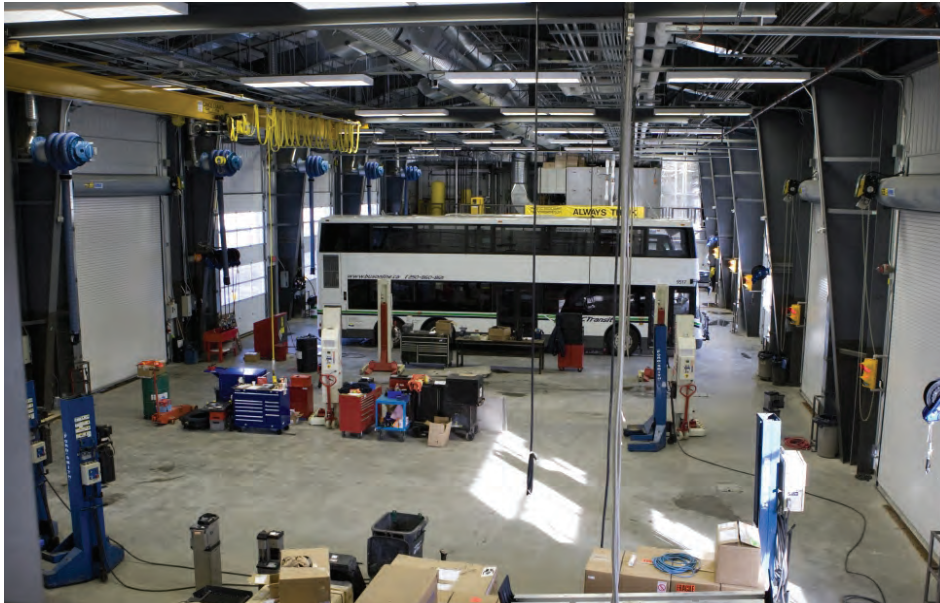
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### TransLink – Metro Vancouver

PTA funds contributed to the expansion and replacement of 34 SkyTrain vehicles, 109 Community Shuttle vehicles, and 125 HandyDART vehicles within the TransLink system. These vehicles have contributed to the addition of over half a million more service hours and 7.5 million more boardings in the system. The SkyTrain expansion alone is estimated to have taken approximately 2000 vehicles off the road. Ridership has consistently increased among the SkyTrain, Community Shuttle, and HandyDART service. The contribution of PTA funds have also served to improve reliability of these system components, ensuring more and more travelers and commuters will chose public transit.





### BC Transit – Whistler

Providing service to over 2.8 million passengers per year, the transit system in the Resort Municipality of Whistler features the world's largest hydrogen fuel cell bus fleet and fueling station. PTA funds contributed to the Transit Maintenance Facility which houses the fueling station, six maintenance bays, an operations building, and 36 sheltered stalls. 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%.

## FINANCIAL AND COMPLIANCE REPORTING

The following table sets out receipts and disbursements of Gas Tax and Public Transit Funds for the January 1-December 31 2011 reporting period, as well as cumulative UBCM and recipient data from 2005.

This is the first year UBCM has prepared and delivered an Annual Expenditure Report on a calendar year as a result of a 2010 amendment to the Gas Tax Agreement.

### Gas Tax Agreement

From January to December 2011, UBCM received \$250,697,000 federal Gas Tax funds making a cumulative total of \$1,136,993,000 UBCM has distributed \$347,242,538.11 of Gas Tax Funds in 2011, and \$991,792,304 to date.

### Public Transit Agreement

UBCM received a total of total cumulative distribution of \$53,984,892. In 2011, UBCM transferred an additional \$1,497,648 to eligible recipients making a total cumulative distribution of \$54,376,672. This additional distribution was made available through interest earnings by UBCM in excess of amounts needed to recover administrative costs.



UBCM				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	January 1, 2011 to December 31, 2011	Cumulative Date of Signing to December 2011	January 1, 2011 to December 31, 2011	Cumulative Date of Signing to December 31, 2011
Opening Balance of Unspent Funding	247,883,071.64	0.00	1,495,394.26	0.00
Received from Canada	250,697,000.00	1,136,993,000	0.00	52,543,010.00
Interest and Other Investment Income	1,914,474.64	10,541,139.25	8,031.32	1,833,622.45
<b>Sub-Total (Available for Spending)</b>	500,494,546.28	1,147,534,139.25	1,503,425.58	54,376,672.45
Transferred to Eligible Recipients	347,242,538.11	991,792,304.41	1,450,659.30	53,984,892
Spent on Administration Costs	710,833.98	3,200,660.65	52,766.28	391,780.45
<b>Sub-Total (Total Spending)</b>	347,953,372.09	994,992,965.06	1,503,425.58	54,376,672.45
<b>Closing Balance of Unspent Funds</b>	152,541,174.19	152,541,174.19	0.00	0.00

ELIGIBLE RECIPIENTS IN AGGREGATE				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	January 1, 2011 to December 31, 2011	Cumulative Date of Signing to December 31, 2011	January 1, 2011 to December 31, 2011	Cumulative Date of Signing to December 31, 2011
	185,732,402.66 <sup>1</sup>	0.00	579,842.26 <sup>2</sup>	0.00
Received from UBCM	347,242,538.11 <sup>3</sup>	991,792,304.40	1,450,659.30	53,984,892.00
Interest and other Investment Income	5,112,067.68	18,429,862.96	2,496.27	591,942.44
<b>Sub-Total (Total Available for Spending)</b>	538,087,008.45	1,010,222,167.36	2,032,997.83	54,576,834.44
Spent on Eligible Projects	83,307,179.87	554,546,839.11	1,975,657.96	54,494,612.06
Spent on Administration Costs	188,977.57	1,084,477.24	5,080.00	29,962.51
<b>Sub-Total (Total Spending)</b>	83,496,157.44	555,631,316.35	1,980,737.96	54,524,574.57
Closing Balance of Unspent Funding	454,590,851.01	454,590,851.01	52,259.87	52,259.87

## RECIPIENT COMPLIANCE AND REPORTING

The recipient accountability framework relies on four elements:

1. Recipients file an Annual Report to indicate the funds they received, how 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 recipients' audited financial statements to indicate:

### Annual Reports and Financial Officer Certifications

There were 169 recipients that were required to file an Annual Report and Financial Officer certification for the 2011 reporting year. At the time of this report, all but 3 have fulfilled their requirement.

As of September 17, 2012, 5 recipients had not yet submitted financial statements to the province.

### Recipient Annual Report Audit

UBCM again contracted the services of KPMG to conduct an audit of recipients of Gas Tax funds for the 2011 reporting year, and Public Transit funds for January 2010 to March 2011. The findings of these audits can be found as an appendix to this report.

- 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 and conditions of funding agreements, and as such, withholds further payments to recipients that fail to file an Annual Report or the required certifications.

### Capital Investment 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

Publically available transit strategies are a requirement under the Public Transit Agreement. For transit strategies for local governments outside of Metro Vancouver are available at the following website:

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

Metro Vancouver transit plans are available through the TransLink website at:

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



## UBCM COMPLIANCE AND REPORTING

The Gas Tax Agreement and Public Transit Agreement require an audit of UBCM financial information and compliance with the agreements. The unqualified audit opinion on 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

The 2011 program year, UBCM delivered all of the Gas Tax Funded programs. The General Strategic Priorities Fund program and the Innovations Fund program were both launched in September 2010 and had an intake deadline of April 2011. UBCM received over 150 submissions under the two programs. In December 2011, the Gas Tax Management Committee reviewed and approved a total of 52 projects under both programs for a total of approximately \$104 million in program funding.

A second GSPF and IF intake was launched for 2012, which will see the remaining funds (approximately \$50 million) committed for infrastructure and capacity building projects throughout the province.





The Regionally Significant Project Fund program was also active in 2011. The RSP funds (approximately \$63 million total for the 2010-2014 funding years) are available for Tier 2 regions for projects that are larger in scale or regional in impact, and are identified as a regional priority. UBCM participated in six Tier 2 working groups in 2011 with staff from Tier 2 local governments and the province in which project proposals were developed. The RSP intake deadline is September 2012.

### Support and Outreach

With the involvement of every local government in British Columbia and the long-term nature of the Gas Tax program, there is an ongoing need to provide advice and training for local governments as they implement projects and report on the use of funds.



The Union of BC Municipalities provides daily support to recipients for questions related to cost and project eligibility as well as guidance on the various facets of the Gas Tax Fund accountability framework. Over the past year UBCM has also delivered workshops on the Gas Tax Fund to two classes of Capilano University's Public Administration program as well as chapter meetings of the Local Government Management Association in the Lower Mainland and North-Central British Columbia.

### Communications

The Union of BC Municipalities also works with local governments to fulfill the Gas Tax Fund Communications protocol, including the planning of media events, drafting and distribution of news releases and the installation of signage.

During the reporting period, UBCM coordinated 13 media events throughout the province with federal, provincial and local government participation, highlighting \$47.3 million in federal investments. Joint news releases were also distributed for four smaller projects featuring \$1.2 million in additional funding through the Gas Tax program.

## LOOKING AHEAD

In 2012 UBCM will continue to work with federal and provincial partners on a permanent Gas Tax program that goes beyond 2015. Through a permanent program, local governments will continue to benefit from long-term dedicated local infrastructure funding through the various Gas Tax funded programs. UBCM will continue to engage with local governments as Gas Tax permanency discussions progress.

Upcoming highlights of the Gas Tax program include a second intake for the General Strategic Priorities Fund and Innovations Fund which will commit the remaining \$50 million pooled funding for these two programs in 2012; and the investment in the remaining Regionally Significant Projects funding for Tier 2 regions.



UBCM will continue to focus on finding new outreach and communications opportunities throughout the province as the profile of the Gas Tax Program continues to expand and larger infrastructure projects are completing. Also in 2012, UBCM will be working with the federal government to achieve implementation of the new Gas Tax signage guidelines.

Over the course of the next two years, UBCM will be working towards preparing a second Outcomes Report. The report will showcase how investments in local infrastructure improve the air quality, water quality, reduce greenhouse gas emissions, while also creating jobs and improving Canada and British Columbia's economy.

## APPENDIX A: FOOTNOTES

Footnote 1: Reconciliation of Gas Tax recipient reporting opening balance of unspent funding, December 2010

The following table reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 2010, as reported in the Schedule of Receipts and Disbursements.

### Gas Tax

Closing Balance of Unspent Funding December 31, 2010, as previously reported:	\$186,805,396.50
Plus: Additional interest reported for prior period	\$1,134.84
Less: Addition of administration costs reported in prior period	0
Less: Restatement of Gas Tax spending on projects from prior period	\$1,075,628.68
Adjustment to prior periods	\$1,500
Closing Balance of Unspent Funding December 31, 2010, as restated	\$185,732,402.66

Footnote 2: Reconciliation of Public Transit recipient reporting opening balance of unspent funding, January 2010.

The following table reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 31, 2010, as reported in the Schedule of Receipts and Disbursements.

### Public Transit

Closing Balance of Unspent Funding December 31, 2010, as previously reported:	\$96,940.03
Plus: Additional interest reported for prior period	(\$6,550)
Less: Addition of administration costs reported in prior period	
Less: Restatement of Public Transit spending on projects from prior period	\$510,380.40
Adjustment to prior periods	(\$20,927.21)
Closing Balance of Unspent Funding December 31, 2010, as restated	\$579,842.26



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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the period January 1, 2011 to December 31, 2011



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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 – Receipts and Disbursements of the Union of British Columbia Municipalities for the year ended December 31, 2011 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 Sections 1.5 and 7.1.1(a) of 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 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 Sections 1.5 and 7.1.1(a) of 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 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 of the Union of British Columbia Municipalities for the year ended December 31, 2011 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of 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 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 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 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 20, 2012

Burnaby, Canada



# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements

For the period January 1, 2011 to December 31, 2011

## Receipts and Disbursements (in thousands)

	Cumulative September 19, 2005 to December 31, 2010	For the period January 1, 2011 to December 31, 2011	Cumulative September 19, 2005 to December 31, 2011
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 247,883	\$ -
Received from Canada	886,296	250,697	1,136,993
Investment Income	8,627	1,915	10,542
Sub-Total (total available for spending)	894,923	500,495	1,147,535
Transferred to Eligible Recipients	644,550	347,243	991,793
Spent on Administration Costs	2,490	711	3,201
Sub-Total (total spending)	647,040	347,954	994,994
Closing Balance of Unspent Funds	\$ 247,883	\$ 152,541	\$ 152,541

See accompanying notes to the Annual Expenditure Report – Receipts and Disbursements.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements

For the period January 1, 2011 to December 31, 2011

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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 (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 British Columbia 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.

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.

### **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, 2011





**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-  
3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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, 2011 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, 2011, 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 20, 2012  
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, 2011**

<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, 2011 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, 2011**

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, 2011**

<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, 2011,</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, 2011**

<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, 2011**

<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, 2011**

<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, extended to December 31, 2011 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, 2011**

<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, 2011 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, extended to December 31, 2011.</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, 2011





**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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 – Receipts and Disbursements of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2011 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 Sections 1.5 and 7.1.1(a) of 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 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 Sections 1.5 and 7.1.1(a) of 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 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 of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2011 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of 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 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 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 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 20, 2012  
Burnaby, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the year ended December 31, 2011

### Receipts and disbursements of Eligible Recipients (in thousands)

	From the date of signing March 31, 2006 to December 31, 2010	January 1, 2011 to December 31, 2011	Cumulative from March 31, 2006 to December 31, 2011
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 186,805	\$ -
Received from UBCM	644,550	347,243	991,793
Investment Income	13,317	5,113	18,430
Sub-Total (total available for spending)	657,867	539,161	1,010,223
Spent on Eligible Projects (note 4)	470,166	84,381	554,547
Spent on Administration Costs	895	189	1,084
Sub-Total (total spending)	471,061	84,570	555,631
Closing Balance of Unspent Funds	\$ 186,806	\$ 454,591	\$ 454,591

See accompanying notes to the Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients.

Approved by:



September 27, 2012

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the year ended December 31, 2011

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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 (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.

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, 2011

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## 1. Basis of presentation:

The Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (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:

- 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, 2011

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## 2. Eligible costs (cont'd):

### 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;

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the year ended December 31, 2011

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## **3. Ineligible costs (cont'd):**

- 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);
- 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 \$84,381,000 is \$3,598,570 of disbursements made by Eligible Recipients in excess of the Gas Tax Funds received by them as at December 31, 2011. These disbursements are expected to be funded through future Gas Tax Funding receipts.

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, 2011





**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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 – Receipts and Disbursements of the Union of British Columbia Municipalities for the period ended March 31, 2011 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 Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 of the Union of British Columbia Municipalities for the year ended December 31, 2011 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 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 20, 2012  
Burnaby, Canada

**UNION OF BRITISH COLUMBIA MUNICIPALITIES**  
**Annual Expenditure Report**  
For the year ended March 31, 2011

**Receipts and Disbursements (in thousands)**

	<b>Cumulative March 31, 2006 to March 31, 2010</b>	<b>Year Ended March 31, 2011</b>	<b>Cumulative March 31, 2006 to March 31, 2011</b>
<b>Public Transit Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 1,707	\$ -
Received from Canada	52,543	-	52,543
Investment Income	1,817	17	1,834
Sub-Total (total available for spending)	54,360	1,724	54,377
Transferred to Eligible Recipients	52,439	1,546	53,985
Spent on Administration Costs	214	178	392
Sub-Total (total spending)	52,653	1,724	54,377
Closing Balance of Unspent Funds	\$ 1,707	\$ -	\$ -

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, 2011.

**Approved by:**



September 27, 2012

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, 2011





**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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, 2011 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, 2011, 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 20, 2012  
Burnaby, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.  
KPMG Canada provides services to KPMG LLP.

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
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, 2011.
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>

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
	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.		

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
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>



**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
	<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.

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
	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>

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
			<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>

**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, 2011**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
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>

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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the period from January 1, 2010 to March 31, 2011





**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT OF ELIGIBLE RECIPIENTS**

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 – Receipts and Disbursements of Eligible Recipients of the Union of British Columbia Municipalities for the period from January 1, 2010 to March 31, 2011 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 Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 of Eligible Recipients of the Union of British Columbia Municipalities for the period from January 1, 2010 to March 31, 2011 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 8.1.1 of the Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 2010 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 Agreement on the Transfer of Funds for Public Transit 2006-2010 dated March 31, 2006 and as amended on March 31, 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 long horizontal line extending from the end of the signature.

Chartered Accountants  
September 20, 2012  
Burnaby, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the period from January 1, 2010 to March 31, 2011

### Receipts and disbursements of Eligible Recipients (in thousands)

	From the date of signing March 31, 2006 to December 31, 2009	January 1, 2010 to March 31, 2011	Cumulative from March 31, 2006 to March 31, 2011
<b>Public Transit Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 1,438	\$ -
Received from UBCM	52,439	1,546	53,985
Investment Income	733	(141)	592
<b>Sub-Total (total available for spending)</b>	<b>53,172</b>	<b>2,843</b>	<b>54,577</b>
Spent on Eligible Projects	52,172	2,786	54,958
Spent on Administration Costs	25	5	30
<b>Sub-Total (total spending)</b>	<b>52,197</b>	<b>2,791</b>	<b>54,988</b>
Closing Balance of Unspent Funds, unadjusted	\$ 975	\$ 52	\$ (411)
Amendment to prior periods report (note 4)	463		463
Closing Balance of Unspent Funds, adjusted	\$ 1,438	\$ 52	\$ 52

See accompanying notes to the Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients.

Approved by:



September 27, 2012

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the period from January 1, 2010 to March 31, 2011

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### **Background:**

On March 31, 2006, the Union of British Columbia Municipalities (the “UBCM”), Government of Canada (“Canada”) and the Province of British Columbia (the “Province”) entered into the Transfer of Funds for Public Transit Agreement (the “Agreement”). The Agreement is focused on achieving environmental sustainability through public transit investment. The Agreement will result in contributions of \$52,543,010 (the “Public Transit Fund”) to B.C. local governments and other eligible recipients from 2006 to 2010. On March 31, 2010, Canada amended the Agreement to extend until no later than March 31, 2011.

The Public Transit Fund provides funding for B.C. local governments and other eligible recipients for public transit infrastructure projects.

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.

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

The Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (the “Annual Expenditure Report”) has been prepared in accordance with the financial reporting provisions in Schedule D (1.1.2) of the Agreement between the UBCM, Canada and the Province.

Significant interpretations of the financial reporting provisions of Schedule D (1.1.2) of the Agreement between the UBCM, Canada and the Province include:

- The financial reporting provisions in Schedule D (1.1.2) 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:

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the period from January 1, 2010 to March 31, 2011

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## 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; and
- iii) the costs of environmental assessments, monitoring and follow-up programs, as required by the Canadian Environmental Assessment Act or a provincial equivalent.

### b) Administration costs:

The portion of Public Transit 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 May 18, 2005 or after March 31, 2011;
- b) services or works that are normally provided by the Eligible Recipient or a related party;
- c) salaries and other employment benefits of any employees of the Eligible Recipient;
- 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 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;



# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the period from January 1, 2010 to March 31, 2011

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## **3. Ineligible costs (cont'd):**

- g) costs of land or any interest therein, and related costs;
- h) costs of leasing of equipment by the Eligible Recipient;
- 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(b); and
- l) audit and evaluation costs.

## **4. Amendment to prior periods report:**

During the reporting period, a recipient amended its annual expenditure report for the 2009 reporting period to remove a Gas Tax Agreement expenditure inadvertently reported as a Public Transit Agreement expenditure. The recipient had previously reported an expenditure balance of \$520,000 in the 2009 reporting period, and amended the balance to \$57,000 to exclude the GTA expenditures.