Union of British Columbia Municipalities

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# UBCM ANNUAL EXPENDITURE REPORT and AUDIT REPORT

PURSUANT TO THE AGREEMENT ON THE TRANSFER OF FEDERAL GAS TAX REVENUE

FOR THE PERIOD SEPTEMBER 19, 2005 – MARCH 31, 2006

NOVEMBER 2006

#### ANNUAL EXPENDITURE REPORT AND AUDIT REPORT FOR THE PERIOD SEPTEMBER 19, 2005 TO MARCH 31, 2006

In accordance with section 7.1.1 and Schedule E of the Canada – British Columbia – Union of British Columbia Municipalities Agreement on the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities, made September 19, 2005 (the Gas Tax Agreement)

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Union of British Columbia Municipalities

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Suite 60 10551 Shellbridge Way Richmond British Columbia Canada V6X 2W9 604.270.8226 Fax 604.270.9116 Email: ubcm@civicnet.bc.ca November 20, 2006

Honourable Lawrence Cannon Minister of Transport, Infrastructure and Communities Government of Canada House of Commons Ottawa ON K1A 0A6 Honourable Ida Chong Minister of Community Services Province of British Columbia Parliament Buildings Victoria BC V8V 1X4

Dear Ministers:

#### **RE:** LETTER OF TRANSMITTAL

Further to our letter of September 29, 2006, and subsequent staff correspondence, we enclose a revised Annual Expenditure Report and Audit Report for the period September 19, 2005 to March 31, 2006.

These reports are made pursuant to the Canada – British Columbia – Union of British Columbia Municipalities Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement). The reports address the required elements set out in section 7.1 and Schedule E of the Gas Tax Agreement and we trust they are satisfactory for those purposes.

However, we believe we must show to Canada, British Columbia and to all our taxpayers that the Gas Tax Transfer is making a difference and we have designed our programs to show those results. Accordingly, we have provided a richer picture than that required under the Gas Tax Agreement, through publication of an Annual Report of our Gas Tax/Public Transit Management Services Secretariat. This Annual Report will soon be available on our website, and we will provide you with a copy of the report as soon as it is available.

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We also take this opportunity to thank the staff of the Ministry of Community Services and Infrastructure Canada who have worked as partners in launching this exciting new initiative.

Sincerely,

Brenda Binnie

Brenda Binnie UBCM President

Richard Taylor UBCM Executive Director

Brendell Stile-

Brenda Gibson General Manager Gas Tax/Public Transit Management Services

Enclosures

pc: Yasmine Laroche, Assistant Deputy Minister, Cities and Communities Transport, Infrastructure and Communities, Infrastructure Canada

Claude Blanchette, Director General, Partnerships and Operations Cities and Communities, Transport, Infrastructure and Communities, Infrastructure Canada

Dale Wall, Assistant Deputy Minister, Local Government Department, Ministry of Community Services

UBCM							
	Sept 19, 2005 to	Cumulative Date of					
	March 31, 2006	Signing to March					
		31,2006					
Opening Balance of unspent funding	0	0					
Received from Canada	76,272,000	76,272,000					
Interest and other investment income	722,688	722,688					
Sub-Total (total available for	76,994,688	76,994,688					
spending)							
Transferred to Eligible Recipients	59,777,683	59,777,683					
Spent on Administration Costs	126,574	126,574					
Sub-Total (total spending)	59,904,257	59,904,257					
Closing Balance of unspent funding	17,090,431	17,090,431					
Eligible Recipier	nts in Aggregate						
Eligible Recipier	nts in Aggregate Sept 19, 2005 to	Cumulative Date of					
Eligible Recipier	<b>nts in Aggregate</b> Sept 19, 2005 to Dec 31, 2005	Cumulative Date of Signing to Dec 31,					
Eligible Recipier	nts in Aggregate Sept 19, 2005 to Dec 31, 2005	Cumulative Date of Signing to Dec 31, 2005					
Eligible Recipier Opening balance of unspent funding	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0	Cumulative Date of Signing to Dec 31, 2005 0					
Eligible Recipier Opening balance of unspent funding Received from UBCM	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income Sub-Total (total available for	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791 16,536,816	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791 <b>16,536,816</b>					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income <b>Sub-Total (total available for</b> <b>spending)</b>	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791 16,536,816	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791 <b>16,536,816</b>					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income <b>Sub-Total (total available for</b> <b>spending)</b> Spent on Eligible Projects	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791 16,536,816 623,301	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791 <b>16,536,816</b> 623,301					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income <b>Sub-Total (total available for</b> <b>spending)</b> Spent on Eligible Projects Spent on Administration Costs	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791 16,536,816 623,301 1,374	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791 <b>16,536,816</b> 623,301 1,374					
Eligible Recipier Opening balance of unspent funding Received from UBCM Interest and other investment income <b>Sub-Total (total available for</b> <b>spending)</b> Spent on Eligible Projects Spent on Administration Costs <b>Sub-Total (total spending)</b>	nts in Aggregate Sept 19, 2005 to Dec 31, 2005 0 16,525,025 11,791 16,536,816 623,301 1,374 624,675	Cumulative Date of Signing to Dec 31, 2005 0 16,525,025 11,791 <b>16,536,816</b> 623,301 1,374 <b>624,675</b>					

#### Schedule of receipts and disbursements (Schedule E, section 1.1.1)

## Narrative on the progress UBCM has made in meeting its commitments and contributions (Schedule E, section 1.1.2)

From September 19, 2005 to March 31, 2006, UBCM made the following progress:

- Funds for the Fiscal Year were accepted and allocated to Community Works Fund, Strategic Priorities Fund and Innovation Fund programs;
- 157 Community Works Fund Agreements and one Strategic Priorities Fund Agreement were signed;
- All funding agreements included the requirements set out in Schedule C;
- No funds were transferred until a Funding Agreement was signed; and
- Community Works Funds were transferred to local governments promptly after signed agreements were returned to UBCM.

## Eligible Projects approved for funding, including details required per Schedule E, section 1.1.3

		Estimated C	osts and Sourc	ces of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
City of Chilliwack; North/South Transportation	n Plan; Capacity	Building, Trans	portation Plan			
Undertake a plan and preliminary design of a secondary north/south transportation link. LOCATION: Western connection – Evans Road to Ashwell Road.	120,000			113,000	233,000	CAPACITY BUILDING Establish a secondary transportation link in order to increase cycling and pedestrian links, reduce heavy traffic and idling.
District of Lantzville; RDN Liquid Waste Man	agement Plan A	mendment; Capa	city Building	-		
The District of Lantzville is within the Regional District of Nanaimo (RDN). The project is to prepare a proposal for amendments to the RDN LWMP in relation to both sewered and non-sewered areas within Lantzville. LOCATION: Lower Lantzville and Winchelsea Catchment Areas.	58,859	10,000			68,859	CAPACITY BUILDING Liquid Waste Management Plan amendments.
District of Lantzville; Storm Drainage Plan; Ca	apacity Building					
To identify potential drainage issues in anticipation of future development and set out an implementation plan to manage storm water flows (including capital works projects). LOCATION: Knarston Creek and Blood Creek	25,002	10,000			35,002	CAPACITY BUILDING Will provide needed information on storm water flows and identify development cost projects.
Village of Keremeos; Infrastructure Developm	ent Planning, Ac	uifer Protection	Plan; Capacity I	Building		
Phase 2 to 5 of the Aquifer Protection Plan. LOCATION: Keremeos.	45,000	9,975		49,963	104,938	CAPACITY BUILDING Protect underground aquifer.

		Estimated Co	osts and Sourc	es of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
Village of Keremeos; Infrastructure Developm	ent Planning, Lic	quid Waste Mana	agement Plan; C	apacity Building		
Phase 1, 2 and 3 of the Liquid Waste Management Plan, including sewage treatment facility capacity review and sewer collection expansion study. LOCATION: Keremeos.	50,000			30,000	80,000	CAPACITY BUILDING Comprehensive study to complete a viable and useable liquid waste management plan for today and the future.
Village of Keremeos; Infrastructure Developm	ent Planning, Ca	pacity Building		T	T	
To design a rehabilitation strategy for the rehabilitation and replacement of existing and future roads. To establish future traffic routes and networking to enable proper management of traffic congestion and safety as expansion occurs. LOCATION: Keremeos.	30,000			30,000	60,000	CAPACITY BUILDING Management of traffic routing addresses safety concerns (relating to vehicle and pedestrian traffic networking) and congestion issues.
Regional District of Nanaimo; Drinking Water	Watershed Prote	ection; Capacity	Building			
To conduct research into factors affecting local groundwater resources and to establish a framework to protect and improve the quality and quantity of water for residents. LOCATION: 6300 Hammond Bay Rd.	75,000				75,000	CAPACITY BUILDING Groundwater resources and/or watersheds will be protected from contamination and resources will be conserved to ensure long-term supply stability.
City of Port Alberni; Liquid Waste Management	nt Plan; Capacity	Building				
The LWMP is a process that will form the basis for future wastewater collection, treatment and disposal over the long term. LOCATION: Port Alberni.	45,000				45,000	CAPACITY BUILDING LWMP will strengthen the City's capacity to develop and implement a long-term sustainable sewage management

	Estimated Costs and Sources of Funding					
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
						plan.
District of Highlands; Comprehensive Groundy	water Monitoring	g Strategy; Capa	city Building	1	1	
Establish and maintain long term groundwater monitoring system, including monitoring wells, equipment and data analysis; public education and outreach component, including conservation education and programs. LOCATION: Highlands.	TBD				TBD	CAPACITY BUILDING Contributes to OCP objective to ensure adequate long term supply of potable water; protect watersheds, natural drainages and wetlands; promote, through education and action, stewardship and conservation activities with respect to water and energy.
CAPACITY BUILDING - TOTAL	\$448,861	\$29,975	<b>\$ 0</b>	\$222,963	\$701,799	
Village of Canal Flats; Grainger/Burns Rehabi	litation; Rehabili	tation of roads a	nd bridges that e	nhance sustainal	oility outcomes	
Bringing road drainage on Grainger Road to proper road standards prior to paving; rebuilding certain sections of Burns Ave where poor sub-grades exist. LOCATION: Grainger Road and Burns Ave.	65,460			104,540	170,000	CLEANER WATER Repairs to roadside drainage will result in improvements to surface water quality and reduce the potential for negative impact
City of Chillippole: UV Disinfection System	Sower Dlant: Do	ualan/ungrada u	estawatar and st	orm water system	 na: Imploment in	novetive technologies
Installation of a LIV disinfaction system at	324000	velop/upgrade w	astewater and st	676 000	1 000 000	CLEANED WATED
the sewage treatment plant for incremental discharge treatment and elimination of chlorine.	324,000			070,000	1,000,000	discharged into water course and elimination of chlorine discharge
Cowichan Valley Regional District; Mechachie	e Lake Sewage D	isposal and Col	lection System; I	Develop/upgrade	wastewater and	storm water systems
Replace the disposal system with a new infiltration system and install an improved	352,000			176,000	528,000	CLEANER WATER The Mechachie sewage system

		Estimated Co	osts and Sourc	es of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
distribution system. The newer collection system would incorporate an alignment with the road ROW (to remove the current alignment along mostly private property) and the use of a pump station and steeper grades. The system was built in the mid 1940's. LOCATION: Electoral Area F – covers South Shore Rd, Forestry Rd and Bear Lake Rd.						is in close proximity to public contact and Bear Lake, and due to the age of the system and its history of failures, it is a health concern and considered urgent. Blockages have resulted in raw sewage being exposed to residents of the area.
Cowichan Valley Regional District; Shawnigar systems	Beach Estates S	Sewer System (p	ump station gens	sets and bypass);	Develop/upgrad	e wastewater an storm water
Install standing generator sets at the Gregory and McFarlane pump stations, and a bypass to redirect flows from the pump station. This will expand the capacity of the wet well in times of power outages and reduce the risk of overflow at the pump station. LOCATION: Electoral Area B – MacFarlane Crescent and Gregory Road.	86,700			43,300	130,000	CLEANER WATER On more than one occasion, the McFarlane pump station has overflowed due to power failures. These measures will prevent future sanitary overflows to the nearby creek and Shawnigan Lake.
Cowichan Valley Regional District; New reser	voir and water tr	eatment building	g, Satellite Park (	conditional appro	oval); Develop/u	pgrade drinking water systems
Construct a new reservoir and a proper treatment building. The existing reservoir is a wood stave structure that is approximately 25 years old, and the current chlorination building is a tin garden shed. Growth and demand on the water system has far surpassed the usefulness of these two structures. LOCATION: Electoral Area C – Aros Rd. and LeFran Road; Shawnigan Land District.	166,700			83,300	250,000	CLEANER WATER This project will result in a more efficient capacity for daily demand, emergency storage, and proper treatment of the water into the distribution system. The chlorination building does not meet safety, security or electrical regulation at present.

		Estimated Co	osts and Sourc	es of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
City of Cranbrook; North Hill Water Trunk Inc	lustrial Loop; De	evelop/upgrade d	rinking water sy	stems		
Supply water to the north end of the city and to the new centennial sports fields. LOCATION: North End.	100,000			150,000	250,000	CLEANER WATER The project will also provide acceptable water pressure to all residents of the north end of the City.
Village of Cumberland; Lake Park Septic Syste	em; Develop/upg	grade wastewater	and storm water	r systems	1	
A failed septic system servicing 47 campsites and up to 200 daytime beach users was replace with a new, Public Health certified septic treatment plant. LOCATION: Lake Park, Cumberland.	10,714			56,609	67,323	CLEANER WATER The sewage from the camp sites will be appropriately treated and not pollute the nearby lake that is the drinking water source for much of the Comox Valley.
Village of Granisle; Waste Water Treatment Pl	ant Upgrade; De	evelop/upgrade w	astewater and st	torm water system	ms	
Convert the chlorination systems in the wastewater treatment plant and the Babine Lake water intake from gas to sodium hydrochlorite, extension of the facility building, insulation of the building, installation of heating/ventilation equipment; installation of additional lagoon aeration blower. LOCATION: Granisle	29,206	114,783		30,423	174,412	CLEANER WATER More reliable and secure systems will help prevent WWTP effluent from exceeding permit values and allow additional connections. Improved service reliability of water and wastewater treatment facilities and distribution/collection systems.
District of Oak Bay; Sewer Infrastructure Worl	k; Develop/upgra	ade wastewater a	nd storm water s	systems	6,000,000	CLEANED WATED
the Uplands; reduction of influx and infiltration in rest of municipality.	1,203,033			4,/90,943	0,000,000	Reduce overflows at outfalls.

		Estimated Co				
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
LOCATION: Uplands and whole of Oak Bay.						
District of North Saanich; McDonald Part Rd S	Sewer Project; D	evelop/upgrade v	wastewater and s	torm water syste	ems	
Installation of sewer lines. LOCATION: McDonald Park Rd. Area.	220,037			2,054,963	2,275,000	CLEANER WATER Cleaner receiving waters, less coliform counts in ditches.
Town of Osoyoos; Storm drainage, Osprey and	89 St.; Develop	/upgrade wastew	ater and storm v	water systems		
To provide storm drainage to these two areas to reduce runoff from the streets to the lake. LOCATION: Osprey Drive and 89 <sup>th</sup> Street.	60,230			675	60,905	CLEANER WATER Improved water quality of the lake and helps with better drinking water.
Village of Pemberton; Pemberton Plateau Sew	er Lift Station U	pgrade; Develop	improve wastew	vater and storm v	water systems	
Upgrade lift station to enable the closing of the old sewer treatment plant and current development to access new Waste Water Treatment Plant. LOCATION: Pemberton Plateau Neighbourhood.	28,000			56,000	84,000	CLEANER WATER Reduced negative environmental impact and operating incurred by treatment plant remaining open.
Town of Qualicum Beach; UV Water Disinfect	tion; Develop/up	grade drinking v	vater systems			
Ultra violet disinfection system for water system. LOCATION: Qualicum River Well Field area.	170,000	411,000		732,667	1,313,667	CLEANER WATER To achieve Health Canada drinking water safety guidelines.
Village of Midway; Thomet Road Rehabilitation	on; Rehabilitation	n of Roads and E	Bridges that enha	nce sustainabilit	y outcomes	
Rebuild road bed to resolve drainage problems and repave road to provide smoother surface.	32,342			8,953	41,295	CLEANER WATER Road did not provide for adequate surface drainage

		Estimated Co				
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
LOCATION: Thomet Road.						thereby compromising water quality.
Town of Sidney; First Street Sewer Reconstruct	tion; Develop/up	pgrade wastewat	er and storm wat	ter systems		
Upgrade existing sanitary sewer main to increase capacity for new construction and reduce the potential for an overflow into the adjacent marine environment. LOCATION: First Street.	90,000			60,000	150,000	CLEANER WATER Increased capacity in sanitary sewer, reduced potential for surcharging and overflow, less risk of impact on the marine environment.
District of Stewart; Backup Power for #1 Lift S	Station; Develop	/upgrade wastew	ater and storm w	vater systems	·	
Purchase of generator set and installation in constructed building to provide backup power at first wastewater lift station to ensure continued pumping of wastewater through the system during period of power interruption. LOCATION: 301 – 5 <sup>th</sup> Avenue.	17,113				17,113	CLEANER WATER Provision of backup power ensures continued operation of wastewater system and prevents leakage of wastewater from the lift station that has, in the past, contaminated in adjacent water stream with aquatic habitat.
District of Summerland; Thirsk Dam Expansio	n and Spillway;	Develop/upgrade	e drinking water	systems		
Raise the height of Thirsk Dam and construct a new spillway to increase the municipality's main reservoir capacity. LOCATION: 30 km west of Summerland.	383,213	1,058,130		9,124,657	10,566,000	CLEANER WATER Security of water supply during peak demand period by doubling the reservoir capacity.
District of Taylor; Water Clearwell Improvement	ents; Develop/up	grade drinking w	vater systems	T	1	
Retrofit an existing treated water storage facility to enhance public safety and water quality. LOCATION: Peace River Shore – Water Treatment Facility.	39,788			76,775	116,563	CLEANER WATER Improved water quality assurance and security.

		Estimated C	osts and Sourc	es of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
City of Trail; Bear Creek Reservoir; Develop/u	ipgrade drinking	water systems				•
Install a concrete slab within the base of the reservoir and to de-scale and paint, interior bolts, and clean seams. LOCATION: Waneta Area, Trail.	114,999			18,001	133,000	CLEANER WATER Extend the life of the reservoir for 20 years, deferring cost of up to \$750,000; providing higher quality potable water.
City of Williams Lake; Westside Trunk Storm	Sewer System; I	Develop/upgrade	wastewater and	storm water syst	ems	
Trunk storm drainage system (2103 m. of 250 mm to 900 mm diameter storm pipe) servicing residential area, highway corridor and industrial lands (south side of Williams Lake River Valley); includes 5 settlement/treatment ponds, 2 storm sceptor oil/grit separators, outfall weir to Williams Lake River and surface reinstatement of residential streets and golf course. LOCATION: Westside adjacent to Hwy 20.	160,967	1,473,110		988,971	2,623,048	CLEANER WATER Reduced potential for flooding and erosion. Treatment of storm flows. Improved water quality to satisfy Provincial and Federal DFO guidelines for storm water planning. Clean-up of storm outfall pollution.
CLEANER WATER – TOTAL	\$3,654,524	\$3,057,023	<b>\$ 0</b>	\$19,238,779	\$25,950,326	
City of Port Alberni; Bruce St 15 <sup>th</sup> to Andersor	n Ave – Sewer; I	Develop/upgrade	wastewater and	storm water syst	ems	
Reduce inflow and infiltration (I&I) and separate storm water from a segment of the wastewater collection system by replacing 200m of the existing 375 mm diameter concrete sewer main with a 375 mm PVC pipe and, where possible, install a parallel 375 mm diameter PVC storm water pipe. This is an incremental step in a long term plan to separate storm water and sanitary sewage. LOCATION: Bruce St – 200m 15 <sup>th</sup> Ave to	66,659			6,225	72,884	CLEANER WATER REDUCED GHG EMISSIONS Reduced I&I reduces pumping costs, aeration energy required to treat wastewater and reduces impact to aquatic habitat in the receiving waters of the Alberni Inlet by reducing combined sewer overflows. Efforts like these are small, incremental and difficult to quantify The

		Estimated C	osts and Sourc	es of Funding		
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
Anderson Ave.						approach of reducing baseline domestic flows is the underlying direction of the City.
City of Port Alberni; Harbour Road Sewer Ove	erflow; Develop/	upgrade wastewa	ater and storm wa	ater systems		
Reduce the inflow and infiltration (I&I) and separate storm water from a segment of the wastewater collection system by replacing 50m of the existing 600mm diameter concrete sewer main with a 600mm reinforced concrete pipe, and removing surface water catch basin from the sewage system. This is another incremental step in a long term plan to separate storm water and sanitary sewage. LOCATION: Harbour Road at the intersection of Bruce Street.	30,000				30,000	CLEANER WATER REDUCED GHG EMISSIONS Reduced I&I reduces pumping costs, aeration energy required to treat wastewater and reduces impact to aquatic habitat in the receiving waters of the Alberni Inlet by reducing combined sewer overflows. Efforts like these are small, incremental and difficult to quantify. The approach of reducing baseline domestic flows is the underlying direction of the City.
City of Port Alberni; Sewage Lagoon Aerators	; Retrofit local g	overnment build	ings and structur	res		
Replace three 40 year old splashing type sewage lagoon aerators with more efficient self-aspirating type units. LOCATION: Sewage lagoon off Mission Road	95,800				95,800	CLEANER WATER REDUCED GHG EMISSIONS Reduced energy requirements; significant improvements in oxygen transfer, aiding in the treatment process (continuous dissolved oxygen meter will record the improvement over time).
CLEANER WATER REDUCED GHG EMISSIONS - TOTAL	\$192,459	\$ 0	\$0	\$6,225	\$198,684	

		Estimated C								
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes				
City of Chilliwack; Young Road Cycling Lane	City of Chilliwack; Young Road Cycling Lanes; Road system improvements that encourage a reduction in car dependency									
Addition of cycling lanes to arterial roadway. LOCATION: Young Road – North.	178,000		20,000	2,952,000	3,150,000	REDUCED GHG EMISSIONS Reduction of GHG emissions with the creation of a safer and expanded cycling network.				
District of Houston; Leisure Facility Geotherm	al; Community I	Energy Systems	1	-	1					
This system will see the use of the district aquifer to support the heat pumps and geo- exchange by using a closed loop well system. LOCATION: 3400 – 14 <sup>th</sup> Street.	67,124			270,591	337,715	REDUCED GHG EMISSIONS Reduce the use of a fossil fuel energy system by 90% over that of a conventional heating system and reduce green house gases by nearly 100 tons annually.				
City of Kimberley; Kimberley/Marysville Trail	Bridge Replace	ment; Paths and	Trails		L					
Replace dilapidated bridge crossing Mark Creek at the mid-point of the Kimberley/Marysville Trail. The current bridge is suffering from rotting boards and abutments, is considered a flood risk (due to the height) and is not wheelchair accessible. This is an earth and gravel forested trail that runs along Mark Creek, approximately 2.5 km. long, joining Kimberley to Marysville (South Kimberley) and the Marysville Eco Park, located a the Marysville trailhead. LOCATION: mid-point of the Kimberley/Marysville Trail.	73,352				73,352	REDUCED GHG EMISSIONS Increased pedestrian and wheelchair traffic on the trail; increased usage as commuter route between Kimberley and Marysville, resulting in fewer vehicles and a reduction in greenhouse gas emissions.				

	Estimated Costs and Sources of Funding					
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
City of Kimberley; 870 Wallinger Avenue Side	walk and retaini	ng wall; Road sy	stem improvem	ents that encoura	ge a reduction in	car dependency
This route is a .6km sidewalk adjacent to the highway, connecting lower Blarchmont to upper Blarchmont and ultimately downtown Kimberley. It is an important pedestrian route but the last 50 ft. is unsafe (abrupt 1.5ft. drop off to a very steep gravel hill). The project will tear out this last section of sidewalk, correct the grading and install a new sidewalk slab with appropriate curing and install a retaining wall. LOCATION: 870 Wallinger Ave.	16,300				16, 300	REDUCED GHG EMISSIONS Alternative vehicle route is 2.2 km. and project will encourage increased pedestrian and wheelchair usage, allowing for a decrease in vehicle traffic and corresponding reduction in GHG emissions.
City of Kimberley; 270 Kimberley Avenue side	ewalk; Road syst	em improvemen	ts that encourage	e reduction in car	r dependency	
Tear out inadequate sidewalk and install a new brick sidewalk with wheelchair accessible curbing – this strategic section of sidewalk, connects the lower and upper sections of the main parking in Kimberley, leads traffic to the Chamber of Commerce and Public Library, and acts as a connector to the sidewalks in the downtown core and the Platzl (outdoor mall). LOCATION: 270 Kimberley Avenue.	7,000				7,000	REDUCED GHG EMISSIONS This strategic piece of sidewalk is narrow, inadequate and generally not used. The project will encourage parking and use the sidewalk system in the downtown core, which covers an area of 42,000m2, instead of driving to the other areas of the downtown core.
Village of Montrose; Well power supply and et	ficiency upgrade	e; Retrofit local	government build	dings and infrasti	ructure	DEDUCED CHC EMISSIONS
supply; install automated transfer pump and control system between two water storage tanks; convert power supply; install computerized well pump operation and water reservoir transfer pump controls.	/4,990			289,200	304,190	Reduced power consumption during the electrical utility's peak power load periods.

	Estimated Costs and Sources of Funding					
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
LOCATION: Lot A, District Lot 205,						
Kootenay District, Plan 17360.						
Town of Port McNeill; Woodland Walk; Road	system improve	ments that encou	rage a reduction	in car dependen	су	
Construct a walkway and curb on Woodland	58,322			50,000	108,322	REDUCED GHG EMISSIONS
Drive (which has no sidewalks) thereby						Encourage walking and improve
discouraging walking on busy roadway.						public safety; less vehicle
LOCATION: Woodland Drive.						emissions from motor vehicles.
District of Saanich; Royal Oak On-Street Trans	sit Exchange; De	velop/improve p	ublic transit syst	tem		
Improve and expand the current on-street	2,300,000				2,300,000	REDUCED GHG EMISSIONS
transit exchange at the Royal Oak Drive/Elk						Improvements are intended to
Lake drive intersection to accommodate 11						increase transit ridership
buses (all bus bays are to include concrete						through:
bases for durability and will also be located						<ul> <li>Increased capacity for</li> </ul>
off the travel lanes); gateway feature or						transit vehicles to arrive
pedestrian node provided at SW corner of						simultaneously (improves
intersection, including a bus shelter and						scheduling, reliability and
textured surface for the walkway;						service).
improvements along Royal Oak Drive						<ul> <li>Enhanced pedestrian</li> </ul>
between Pipeline Rd and Elk Lake Rd to						environment, including
provide sidewalks and bike lanes on both						increased accessibility.
sides; add additional eastbound through lane						• Improved bike lane facilities
on Royal Oak Drive just west of the Elk Lake						on roads connecting to
intersection, which will continue to the west						transit exchange.
ramp of Highway 17; sidewalk construction						
on Elk Lake Drive (Royal Oak-West						
Saanich).						
LOCATION: Royal Oak Avenue.						
Village of Salmo; 2005 Capital Sidewalk Progr	ram; Road syster	n improvements	that encourage a	reduction in car	dependency	
Construct sidewalks along roadways.	38,065			3,580	41,645	REDUCED GHG EMISSIONS
LOCATION: 500 Block Sixth Street, 800						The reliance on gas/diesel fueled

	Estimated Costs and Sources of Funding					
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
Block Ninth Street, 400 Block Baker						cars is greatly reduced with a
Avenue.						sidewalk network in place;
						sidewalks increase safety and
						comfort particularly for seniors
City of Salmon Arm; Geothermal System for C	City Hall/Law Co	urts Facility; Co	mmunity Energy	/ Systems		
Install geothermal group loop as part of new	214,202			22,320	236,522	REDUCED GHG EMISSIONS
construction of City Hall/Law Courts.						Reduced heating and cooling
LOCATION: $500 - 2^{nd}$ Avenue N.E.						costs (reduced GHG emissions).
City of Vernon; 48 Avenue from 24 Street to 2	0 Street; Road sy	stem improvem	ents that encoura	ge a reduction ir	a car dependency	; Rehabilitation of roads and
bridges that enhance sustainability outcomes	1			1	1	
Road widening and construction of sidewalk	297,309			479,591	776,900	REDUCED GHG EMISSIONS
and bike lanes is required to improve traffic						Expand bike lane network to
movements from 24St to 20 St. The						encourage bike traffic and
construction will tie to the upgrading						reduced GHS emissions.
proposed for the section east (20 Street to						Improve vehicular traffic flow
Pleasant Valley Road) and the west (27						reducing idling times, reducing
Street to 20 Street) previously constructed.						GHS emissions.
LOCATION: 48 Avenue from 24 Street to 20						
Street.	<b>#2 22 4 66 4</b>	<b>.</b>	<b>#3</b> 0,000	<b></b>	<b>07</b> 411 0 46	
REDUCED GHG EMISSIONS - TOTAL	\$3,324,664	<b>\$ 0</b>	\$20,000	\$4,067,282	\$7,411,946	
District of Coldstream; Aberdeen Road Bike L	anes; Road syste	m improvements	s that encourage	a reduction in ca	r dependency	
1.1 km. combined cycle path to be	100,851			109,149	210,000	CLEANER AIR
constructed on both sides of Aberdeen Road.						REDUCED GHG EMISSIONS
LOCATION: Aberdeen Road: from						Safer bike corridor will
Kalamalka Road to Middleton Drive.						encourage more cycling,
Town of Sidney Deesen Assesse Deen debast	Dahahilitatian a	fueeda en d'huid	~~~ +1. ~ + ~ ~ 1. ~ ~ ~ ~		4	reduction in venicle usage.
Construct roundohout, such a sidewalls and	Renadilitation 0	1 Toads and orid	ges that enhance	sustainadinty ou		CLEANED AID
Lighting at a busy "off gat" intersection in the	03,000	23,000		101,400	209,400	DEDUCED CHC EMISSIONS
a double of the set of						KEDUCED GHG EMISSIONS
downtown core. Project will improve traffic						iviolor venicle accident

	Estimated Costs and Sources of Funding					
Project Description	CWF	Other govt. transfer	Other External funding	Internal funding	Total	Expected Outcomes
flow and safety at the intersection. LOCATION: Beacon Avenue at First Street.						reduction, smoother traffic flow, less air pollution from stationary vehicles.
CLEANER AIR	\$183,851	\$25,000	\$ 0	\$210,549	\$419,400	
<b>REDUCED GHG EMISSIONS - TOTAL</b>		/ <b>T</b> / ·	T 1 1 .			
Transportation signaling improvements to reduce idling times at intersections. LOCATION: entire community.	35,000	ment Innovative	Technologies	151,000	186,000	CLEANER AIR Reduced idling.
Cowichan Valley Regional District; Odour Con	ntrol System, Ma	aple Hills Sewer	System; Develop	p/upgrade wastev	vater and storm v	water systems
Construction of a biofilter in the sewer treatment building to deal with odour and noise complaints. Biofilters clean the air by absorbing odours in a filter bed made up of organic materials and micro-organisms. LOCATION: Electoral Area C – near intersection of Hidelon Oaks Crescent and Sitka Way.	8,000			4,000	12,000	CLEANER AIR The existing ventilation system to maintain air circulation and limit corrosion within the RBC exchanges air out of the treatment building. The biofilter will reduce the emission of foul odours into the surrounding area near residential homes.
City of Cranbrook; Local Streets Rehabilitation	n Program; Reha	bilitation of road	ls and bridges that	at enhance sustai	nability outcome	S
There is a major deterioration of local streets from the many freeze, thaw cycles over the years. Complete resurfacing is required. LOCATION: various streets within the City of Cranbrook.	200,000			400,000	600,000	CLEANER AIR Less dust, better safer traffic flow, less bus transportation repairs and maintenance.
CLEANER AIR - TOTAL	\$243,000	<b>\$</b> 0	\$ <b>0</b>	\$555,000	\$798,000	
<b>GRAND TOTAL – ALL OUTCOMES</b>	\$8,047,359	\$3,111,998	\$20,000	\$24,300,798	\$35,480,155	

Annual Expenditure Report - Receipts and Disbursements

## UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the period from September 19, 2005 to March 31, 2006



KPWG LLP Chartered Accountents Metrotower II Suite 2400 - 4720 Kingsway Burnoty BC VSH 4N2 Telephone (634) 527-3603 Few (604) 527-3638 Internet soww.kpmg.cs

#### AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT

To the Government of Canada and the Province of British Columbia

We have audited the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as set out in the Annual Expenditure Report in accordance with Section 7.2.1 of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 (the "Agreement"), among the UBCM, the Government of Canada and the Province of British Columbia, for the period from September 19, 2005 to March 31, 2006. The Annual Expenditure Report is the responsibility of the management of the UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the period from September 19, 2005 to March 31, 2006, presents fairly, in all material respects, the receipts and disbursements of the UBCM in accordance with Section 7.2.1 of the Agreement.

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

Kengup

Chartered Accountants Burnaby, Canada August 31, 2006

KPM0 LLP, a Canadian Imbed liability partnership is the Canadian member lists an APM0 literational, a these cooperative.

#### UNION OF BRITISH COLUMBIA MUNICIPALITIES Annual Expenditure Report For the period from September 19, 2005 to March 31, 2006

#### Receipts and Disbursements

	Sept 19, 2006 to Dec 31, 2005	Jan 1, 2008 to Mar 31, 2008	Total, period ended March \$1, 2006	Cumulative Sept 18, 2006 to March 31, 2008
Opening Balance of Unspent Funds		58,244,633	-	-
Received from Canada	76,272,000	-	76,272,000	76,272,000
Interest and other Investment Income	476,162	246,526	722,688	722,688
Sub-Total (total available for spending)	76,748,162	58,491,159	76,994,688	76,994,688
Transferred to Eligible Recipients	18,405,906	41,371,777	59,777,683	59,777,683
Spent on Administration Costs	97,623	28,951	126,574	126,574
Sub-Total (total spending)	18,503,529	41,400,728	59,904,257	59,904,257
Closing Balance of Unspent Funds	58,244,633	17,090,431	17,090,431	17,090,431

#### Basis of presentation:

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

Approved by:

Annual Expenditure Report – Schedule of Receipts and Disbursements of Eligible Recipients

#### UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the period from April 1, 2005 to December 31, 2005



KPMG LLP Chartword Accountants Metrolower II Suite 2400 - 4720 Kingsway Burnaby BC V5H 4N2 Telephone (604) 527-3600 Fax (604) 527-3636 Internet <u>www.komg.ca</u>

AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT – SCHEDULE OF RECEIPTS AND DISBURSMENTS OF ELIGIBLE RECIPIENTS

To the Government of Canada and the Province of British Columbia

We have audited the attached Annual Expenditure Report – Schedule of Receipts and Disbursements of Eligible Recipients (the Schedule) of the Union of British Columbia Municipalities ("UBCM") for the period from April 1, 2005 to December 31, 2005, which has been prepared by the UBCM in relation to the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 (the "Agreement") between the UBCM, the Government of Canada and the Province of British Columbia. The Schedule, including the notes thereto, is the responsibility of the management of the UBCM. Our responsibility is to express an opinion, on the financial information presented in the Schedule, based on our audit.

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

In our opinion, the Schedule presents fairly, in all material respects, the receipts and disbursements of eligible recipients of the UBCM for the period from April 1, 2005 to December 31, 2005 in accordance with the basis of accounting as described in note 2 to the Schedule.

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

Lengue

Chartered Accountants Burnaby, Canada November 9, 2006

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#### UNION OF BRITISH COLUMBIA MUNICIPALITIES

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

For the period from April 1, 2005 to December 31, 2005

	April 1, 2006 to December 31, 2006
Opening balance of unspent funds	\$ -
Amounts received by eligible recipients	16,525,025
Interest and other Investment Income	11,791
Sub-Total (total available for spending)	16,536,816
Amounts disbursed by eligible recipients	(623,301)
Spent on administration costs	(1,374)
Sub-Total (total spending)	(624,675)
Closing balance of unspent funds	\$ 15,912,141

See notes to the report.

#### UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report – Schedule of Receipts and Disbursements of Eligible Recipients

For the period from April 1, 2005 to December 31, 2005

#### 1. Operations:

The Union of British Columbia Municipalities ("UBCM") is a not-for-profit organization incorporated under the Union of British Columbia Municipalities Act and its principal activity is to represent the interests of its members in dealing with other orders of government.

On September 19, 2005, UBCM, the Government of Canada and the Province of British Columbia signed the Transfer of Federal Gas Tax Revenues Agreement, which is focused on environmental sustainability outcomes such as reduced greenhouse gas emissions, cleaner water and cleaner air.

UBCM is administering the funding on behalf of the Government of Canada for all eligible recipients.

#### 2. Basis of accounting:

The Schedule of Receipts and Disbursements of Eligible Recipients has been prepared by management based on information provided by the eligible recipients. Receipts are recorded by eligible recipients when the grant funding is received by the eligible recipient, and disbursements are recorded when the eligible expenses are incurred by the eligible recipient.

#### 3. Significant Interpretations:

- (a) The amounts disbursed by eligible recipients may be allocated or applied to any eligible costs for any eligible projects incurred from April 1, 2005 to December 31, 2005.
- (b) The amounts disbursed by eligible recipients have been declared by an officer of the eligible recipient responsible for financial administration, as having been used in accordance with the Community Works Fund Agreement. One such recipient had not returned the declaration to UBCM by the reporting date of July 1, 2006.

Compliance with the Evaluation Criteria

## UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the period from September 19, 2005 to March 31, 2006

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

To the Government of Canada and the Province of British Columbia

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at March 31, 2006 with the evaluation criteria ("evaluation criteria"), as attached, for the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 (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, 2006, in all material respects, with the evaluation criteria.

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

Chartered Accountants

Burnaby, Canada August 31, 2006

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
6.3	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.	The aggregate amount of the Community Works Funds 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.	<ul> <li>Funding available to Tier 3 local governments for the Community Works</li> <li>Fund and the Strategic Priorities Fund is calculated as follows:</li> <li>(a) Funding allocated to the Innovations</li> <li>Fund is deducted from Canada's funding contribution: then</li> </ul>
	<ul> <li>(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.</li> <li>(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.</li> </ul>	The percentage distribution between the Community Works Fund and the Strategic Priorities Fund set out in Table 1 in Section 6.3 applies only to per capita amounts that are derived after taking the floor amounts into consideration.	(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 BC Statistics data as at July 1, 2004, as released in December 2004 and obtained from the Ministry of Community Services, Government of British Columbia
	(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:		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.
	2005/2006 \$25,000 2006/2007 \$25,000 2007/2008 \$31,583 2008/2009 \$38,478		Funding available to Tier 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is based on the amount of Canada's

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
	2009/2010 \$50,000		contribution remaining after deducting the amount allocated for the Innovations Fund and the amount available to the Tier 3 local governments for Community Works Funds and Strategic Priorities Funds.
			Funding available to Tier 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is allocated as follows:
			(a) Each designated recipient has received at minimum the Community Works Fund funding "floor" allocation of \$25,000 for the period ended March 31, 2006 and
			(b) The remaining funds are allocated to Tiers 1 and 2 based on a per capita allocation using BC Statistics as at July 1, 2004 as released in December 2004 and obtained from the Ministry of Community Services, Government of British Columbia
			(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

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
			Strategic Priorities Fund; and
			(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.
			Approved Community Works Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.
6.4	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).	The "successful application" requirement refers to an approval of an application for funding by the Management Committee.	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.
	All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors have requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for		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.
	transportation investments.		Approved Strategic Priorities Fund
	The trigger for funding under the Strategic Priorities Fund is a successful application and a		designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.

#### Union of British Columbia Municipalities Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities 2005-2015 (the "Agreement") March 31, 2006

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
	Strategic Priorities Fund agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.		
6.5	An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia will be established.	The "successful application" requirement refers to an approval of an application for funding by the Management Committee.	Approval of the allocation to the Innovations Fund by the Partnership Committee is documented in the meeting minutes.
	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		The allocation to the Innovations Fund is not more than 5% of the total New Deal allocation.
	cleaner air and cleaner water. The trigger for funding under the Innovations Fund is a successful application and an		The Management Committee has approved an application for funding under the Innovations Fund prior to the execution of an Innovations Fund
	Innovations Fund Agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.		Approved Innovations Fund agreements have been signed by the designated
	The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.		recipients and at minimum, include Schedule C of the Gas Tax Agreement.
6.6.1	UBCM agrees that it shall record Canada's contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement.	This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or	The UBCM maintains separate and distinct accounting records for the receipt and disbursement of funds received under the Agreement.

Page 4 of 5

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
		investment account.	
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 confirms 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.	Employee costs of UBCM directly relating to the implementation, management and administration are allocated to the Fund.	The Partnership Committee has reviewed the UBCM Business Case for the period ended March 31, 2006 as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities. Acceptance of the UBCM Business Case for the period ended March 31, 2006 by the federal Minster of Transport, Infrastructure and Communities is evidenced in written communication. The costs incurred by UBCM are for the administration, implementation and management of the Ernd

Compliance with the Evaluation Criteria

## UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the period from September 19, 2005 to March 31, 2006



KPMG LLP Chartered Accountants Metrotower II Suite 2400 - 4720 Kingsway Burnaby BC VSH 4N2 Telephone (604) 527-3600 Fax (604) 527-3636 Internet www.kpmg.ca

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

To the Government of Canada and the Province of British Columbia

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at March 31, 2006 with the attached Evaluation Criteria ("Evaluation Criteria") related to Section 3.3.2 (viii) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 (the "Agreement") between 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.

The Evaluation Criteria, with respect to the declaration, require that an officer responsible for financial reporting at each designated recipient, declare that the amounts received and disbursed by the recipient, were used in accordance with a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement. During the period, one such recipient received \$58,453 of funding under a Community Works Fund Agreement for which no declaration was received by UBCM by the reporting date of July 1, 2006.

In our opinion, except as specified in the preceding paragraph, UBCM has complied as at March 31, 2006, 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.

Kengup

Chartered Accountants

Burnaby, Canada November 9, 2006

> KPMC LLP, a Canadian Emited fability partnership is the Canadian member firm of KPMC International, a Swiss cooperative.

Section	Agreement Content	Management's Interpretation	Evaluation Criteria for Audit Purposes
3.3.2 (viii)	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: Sign a Community Works Fund Agreement with each Local Government and Strategic Priorities Fund Agreement or an Innovations Fund Agreement with the Eligible Recipients prior to transfer of Funds from the UBCM. The UBCM will enforce all terms and conditions of these agreements. Details of these agreements are outlined in Schedule C.	<ul> <li>"Enforcement of all terms and conditions" of the Agreement refers to management's commitment to obtain:</li> <li>(a) an approved Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement, and</li> <li>(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 a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement, or Innovations</li></ul>	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. 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 a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement.