

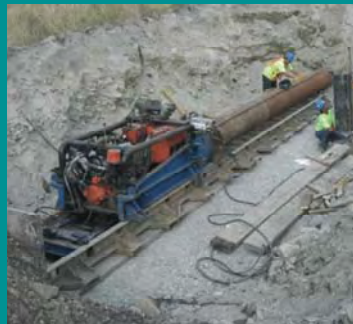
UNION OF BRITISH COLUMBIA MUNICIPALITIES

GAS TAX/PUBLIC TRANSIT ANNUAL EXPENDITURE REPORT

**PURSUANT TO THE AGREEMENT ON THE TRANSFER
OF FEDERAL GAS TAX REVENUE AND THE AGREEMENT
ON THE TRANSFER OF PUBLIC TRANSIT FUNDS**

FOR THE PERIOD APRIL 1, 2006 TO MARCH 31, 2007

September 2007



UNION OF
BRITISH
COLUMBIA
MUNICIPALITIES



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Note to readers: Schedule E of the Gas Tax Agreement and Schedule D of the Public Transit Agreement require that the Annual Expenditure Report (AER) indicate the progress that UBCM has made in meeting its commitments and contributions. Rather than structuring the AER around the work of only one of the parties to the agreements, this AER takes a broadly based thematic structure and reports on work of all of the parties in relation to each of the specific theme areas. Given this structure, there is no systematic way for the reader to obtain information on UBCM's progress towards specific commitments. In order to facilitate identification of that progress, Appendix 2 assigns a number to each of the commitments and that number is set out in the text of the report alongside each statement of progress.



Administration provided
By UBCM

Funding provided by:
Government of Canada



In partnership with:



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under
Programs & Services

Federal Gas Tax and Public
Transit Agreements

Gas Tax/Public Transit Management Services

...delivering the federal gas tax and public transit agreement funding in British Columbia

September 25, 2007

The Honourable Lawrence Cannon
Minister of Transport, Infrastructure
and Communities
Government of Canada
House of Commons
Ottawa ON K1A 0A6

The Honourable Ida Chong
Minister of Community Services
Province of British Columbia
Parliament Buildings
Victoria BC V8V 1X4

Dear Ministers:

RE: UBCM GAS TAX AND PUBLIC TRANSIT AGREEMENT ANNUAL EXPENDITURE REPORT

We are pleased to provide this Annual Expenditure Report and Audit Report for the period of April 1, 2006 to March 31, 2007. 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) and the Agreement on the Transfer of Public Transit Funds (Public Transit Agreement).

The reports address the required elements set out in Section 7 and Schedule E of the Gas Tax Agreement and Section 8 and Schedule D of the Public Transit Agreement and the agreed upon improvements to the annual reporting process.

While the Annual Expenditure Report is required of UBCM, as administrators of the Gas Tax and Public Transit Agreements, we have also provided information on the efforts towards achieving the agreements' goals by our federal and provincial partners and by recipients of the funding, since it is only with their participation and leadership that we are able to succeed. The report is themed around the powerful effect of this collaborative relationship amongst three orders of government and how this, when combined with a focus on the goals of the program, will lead to superior results.

The report highlights a number of significant milestones reached this year, including the launch of the Regionally Significant Project, General Strategic Priorities, and Innovations Fund programs. In addition, we report on a number of implementation activities undertaken by the partners, including development of an integrated community sustainability planning framework and refinements to the accountability and reporting framework.

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Most importantly, we draw attention to the work that is underway in communities across BC as they begin to implement Gas Tax and Public Transit funded projects. These projects span the entire range of eligible project categories and are working towards all of the agreements' intended outcomes. Through these projects as well as a multitude of programs and services outside of the agreements, BC local governments are taking a leadership role in reducing greenhouse gas emissions; and in the provision of cleaner air and cleaner water.

UBCM is proud of the work our members are undertaking towards these goals and we are proud to have retained 100% local government membership in our organization for over 28 years. Not only does this indicate the true partnership between the association and those it represents, but the universality of membership allows an unbiased platform for program administration.

We are also proud of the program administration that we have provided for the Gas Tax and Public Transit funds. Our ability to effectively manage the funds and move the programs towards their intended outcomes has been due in large measure to unwavering commitment on the part of all of the partners to the agreements. We acknowledge and thank your respective staffs for their dedication and hard work in pursuing these goals.

Sincerely,



Brenda Binnie, President



Richard Taylor, UBCM Executive Director



Brenda Gibson, General Manager
Gas Tax/Public Transit Management Services

pc Carol Beal, Assistant Deputy Minister
Program Operations Branch, Infrastructure Canada

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

Executive Summary

UBCM is a party to both The Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement) and the Agreement on the Transfer of Funds for Public Transit (Public Transit Agreement), as are the Federal and Provincial Governments. Funding under the agreements is provided by the Federal Government, and UBCM is responsible for administering the funding and reporting annually on use of Funds and the progress made towards meeting its commitments under the agreements. This Annual Expenditure Report fulfils this reporting requirement for the April 1, 2006 to March 31, 2007 period.

Highlights

- ◆ Delivered 79% of Gas Tax and 88% of Public Transit Funding received to date
- ◆ 141 Gas Tax projects and 3 Public Transit projects underway in 70 communities across BC
- ◆ Developed Incrementality Methodology
- ◆ Established an Integrated Community Sustainability Planning Framework
- ◆ Developed the Regionally Significant Projects Program
- ◆ Launched the General Strategic Priorities Fund and Innovations Fund Programs, including developing program materials and inviting applications
- ◆ 149 applications representing funding requests of \$356 million received and adjudicated for the General Strategic Priorities Fund and Innovations Fund
- ◆ Enhanced and clarified the accountability framework, including reporting, audit and communications requirements

Partnerships in Action

The agreements' Parties have taken a highly collaborative approach to the delivery of Gas Tax and Public Transit funds in BC. This is reflected in the agreements' structure and the way in which the Parties approach their individual and collective responsibilities. Recipients are also actively engaged in partnerships, including partnerships in the delivery of local infrastructure, which can provide for cost-effective infrastructure and service delivery.

All Orders of Government are engaged in complementary initiatives that are working towards the same goals as the agreements. Examples of these initiatives range from the Federal Building Canada Fund, to the Provincial Government commitment to reduce greenhouse gas emissions by 33% by 2020, to a wide range of local government initiatives such as guiding development towards more sustainable, compact communities.

Results Based Approach

Both the Gas Tax and Public Transit Agreements are heavily focussed on environmental outcomes, including reducing greenhouse gas emissions, and moving towards cleaner air

and cleaner water. In addition, the Gas Tax Agreement aims to: build local government capacity to undertake integrated community sustainability planning (ICS Planning); support an inter-jurisdictional approach to infrastructure investment, where appropriate; and support an innovative approach to achieving program goals.

Much of the Partners' work this year focussed on implementation activities, including development of an ICS Planning framework. That framework focuses on key sustainability elements of long-term thinking, broad scope, integration and collaboration. These elements provide a "sustainability lens" through which a local government can view its planning and other activities, but also allows for development of a single overarching sustainability plan from which all other plans and activities would flow.

Public Transit funding of \$46.2 million was delivered for three projects (Kamloops transit exchange; TransLink SkyTrain cars and community shuttles; and Greater Victoria bus-way for bus rapid transit). Gas Tax funding went towards the purchase of 258 buses for the TransLink system (\$73.68 million under the Tier 3 Strategic Priorities Fund) and 140 projects with combined Community Works Funds contributions of \$8.3 million in 70 communities outside of the Greater Vancouver area. All eligible project categories were represented in the projects funded, and outcomes were reported in all four outcome categories, with 92% of the funding being directed towards projects anticipating greenhouse gas emission reductions or cleaner air outcomes.

Open, Transparent, Accountable Programming

Accountability Framework Development focussed on: development of an incrementality methodology; development of outcome indicators; enhancements to the reporting structure; and communications. Partnership Committee approved an incrementality regime and all recipients are currently on track towards meeting these commitments. Enhancements to the reporting structure were made to clarify annual reporting and audit requirements. Communications development focussed on tools and processes to implement the communications protocol, and communications activities centred on funding announcements, and recipient communications and support.

Financial Reporting Summary

- ◆ UBCM has delivered \$166.3 million of the \$205.1 million it received under the Gas Tax and Public Transit Agreements to date
- ◆ Recipients have used \$82.2 million of the funds received towards projects initiated this year
- ◆ Interest and other income earned by UBCM and recipients, since agreement signing was \$3.2 million and \$2.6 million, respectively
- ◆ Administration costs since agreement signing were \$471,748 for UBCM and just over \$40,000 for recipients

The Audit Report set out in Appendix 1 provides audit opinions on UBCM's statement of receipts and disbursements for both the Gas Tax and Public Transit Agreements, as well as its compliance with the evaluation criteria set for both agreements.

Introduction

The Canada – British Columbia – UBCM Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement or GTA) and the Canada – British Columbia – UBCM Agreement on the transfer of Funds for Public Transit (Public Transit Agreement or PTA) represent unique partnerships in the delivery of federal funding for local infrastructure and capacity building. The agreements are reflective of the nature of inter-governmental relations in this province, where local governments as represented by the UBCM, the provincial government, and the federal government work together to deliver on mutual commitments toward more sustainable communities.

This report, while fulfilling UBCM's requirement for an Annual Expenditure Report under both agreements, is focused on the results that can be achieved in a truly collaborative partnership; where three Orders of Government are working in concert on common goals and where each bring much to the table. The report strives to highlight how each party's role is inter-related with the others, how working together has produced superior outcomes, and how each of the Parties have not only worked towards their commitments under the agreements, but have undertaken significant work outside the agreements that is in alignment with the goals and objectives of the agreements and will therefore improve results.

The report is grouped around what are believed to be three overarching themes that characterize the delivery of Gas Tax and Public Transit Funds in this province:

- ◆ **Partnerships in Action** highlights the unique federal-provincial-local partnership and the roles each of those partners play, both individually and collectively, as well as the program partnerships forged between the Gas Tax/Public Transit programs and other complementary programs of the partners;
- ◆ **Results Based Approach** is focused on what outcomes we have collectively set out to achieve, the work that has been undertaken by the partners to set the stage for success and the progress made and results achieved to date; and
- ◆ **Open, Transparent, Accountable Programming** describes the accountability framework embedded in the agreements, highlights activities undertaken during the period to refine this framework, and then concludes with summary information resulting from the framework, including communications activities, financial and compliance reporting, the progress made toward meeting incrementality commitments, and the audit report required under the agreements.

Partnerships in Action

Parties to the Agreement

We acknowledge and appreciate the long and successful history of federal-provincial-local partnerships in the investment in, and delivery of, local infrastructure. What is important

In BC, the Gas Tax and Public Transit Agreements are amongst three partners – the Federal Government, the Provincial Government and the Union of British Columbia Municipalities.

to understand, and to celebrate, is the evolution of these successful partnerships, to a point where local governments, as represented by UBCM, are signatories to the Gas Tax and Public Transit Agreements in BC. Inclusion of UBCM as a signatory is reflective of the formal “Order of Government” stature given local governments in this province, but perhaps as important, it is a result of developing inter-governmental relationships to the point where the signatories come to the agreements from a perspective of mutual respect, where each recognizes the jurisdiction of the other, and where each understands that by working together, more can be achieved than would be possible individually.

Working Together: Governance Structures and Agreement Commitments

Partnerships are emphasized in the governance structures in the agreements. All three Parties are represented on both the GTA/PTA Partnership Committee, which is responsible for strategic direction, and the GTA Management Committee, which is primarily responsible for project approvals. In addition, each of the Parties has individual responsibilities under the agreements:

- ◆ UBCM is responsible for administering the funding, including delivering funds to recipients, reporting on outcomes and ensuring recipient compliance with funding agreements, as well as ensuring pre-agreement levels of infrastructure investment by local governments and supporting such things as integrated community sustainability planning, local government cross-jurisdictional initiatives and local government-First Nations collaborations;
- ◆ The Provincial Government is responsible for maintaining pre-agreement levels of investment in local government infrastructure and for supporting integrated community sustainability planning;
- ◆ The Federal Government is responsible for delivery of funds, ensuring these funds do not displace other federal infrastructure funding and encouraging local government and First Nations collaborations on Eligible Projects.

It is not coincidental that a responsibility of one party to the agreement is shared by another, nor is it by chance that the Partnership Committee or Management Committee is responsible for setting direction in relation to some of the commitments of one or more of

the Parties. Key to understanding the agreements in BC and our mutual approach to implementing them is to recognize that all of the individual and collective responsibilities under the agreements are interrelated and all must be approached collaboratively in order to maximize the benefit of the investment. So, for example, while only UBCM has committed under the GTA to promote local government cross-jurisdictional initiatives, all three of the Parties, through their role in the Partnership and Management Committees work together to ensure this commitment can be fulfilled.

These partners are taking a highly collaborative approach to delivery of Gas Tax/Public Transit Funds.

Featured Program: Regionally Significant Projects

The ***Regionally Significant Projects Program*** is a good example of the Parties working together to promote local government cross-jurisdictional initiatives and maximize program benefits:

Process

- ◆ Some Gas Tax Funding is set aside in a Strategic Priorities Fund for infrastructure that is larger in scale or regional in impact; this is particularly relevant in urbanized regions, with a greater need for regional infrastructure
- ◆ UBCM consulted with local governments on the Strategic Priorities Fund Program design and they told us that applications-based processes that forced competition for scarce resources amongst neighbouring jurisdictions did little to support these communities in thinking beyond their own priorities and towards inter-jurisdictional and regional sustainable infrastructure priorities
- ◆ UBCM worked with our federal and provincial partners to develop the Regionally Significant Projects program which provides a means for the more urbanized regions to identify regional infrastructure priorities for funding
- ◆ Partnership Committee reserved some funding for the regions, eliminating the need for the regions to compete for the funds with other jurisdictions

Examples of RSP Project Proposals



Regional District of Central Okanagan: Bus Rapid Transit Project



Nanaimo Regional District: 2 Pollution Control Centre Upgrades



**Capital Regional District:
E&N Rail Trail**



**Cowichan Valley Regional District:
Recreational Centre Energy
Efficiency**

- ◆ Management Committee is responsible for making decisions on funding proposals submitted by eligible regions

Results

- ◆ Each region took a different approach to developing and evaluating priorities and were able to come to agreement on regional priorities in keeping with the Gas Tax Agreement's desired outcomes
- ◆ Of perhaps even greater significance, is the simple fact that the process initiated a dialogue on infrastructure priorities in eight regions – while this is only the beginning of what could be an on-going process, the discussions did serve as a mechanism through which the communities began to develop a common understanding of the need to work together to make strategic, sustainable infrastructure decisions, and the process served as an opportunity to strengthen their inter-jurisdictional relationships

Lessons Learned

This style of program delivery may hold promise for future infrastructure programs. It provided the benefits of pooled funding while eliminating the disincentives to working together inherent in most application-based programs. Instead of competing with their neighbours for funding, the program allowed regions to work together to develop their most significant priorities for funding.

The **Regionally Significant Projects Program** also highlights the important role of partnerships beyond the Parties to the agreements. The program could not have succeeded without local government collaboration – both with other local governments within the region and with the communities at large.

Working Together: Recipient Partnerships

Partnerships forged by individual local governments with other governments or third parties are important ingredients for success of the programs under the agreements. These partnerships span a broad range of planning and servicing arrangements, from two municipalities working together on a joint planning initiative to arrangements between a regional district and a not for profit organization to provide a community service. Such partnerships allow for synergies amongst the partners which can provide for cost-effective infrastructure and service delivery.

Recipient local governments are also actively engaged in partnerships, including partnering with not-for-profits and others in the delivery of local infrastructure.

A number of local governments have considered using a portion of their GTA Community Works Fund allocation towards a public infrastructure investment that will be owned by another eligible recipient. A range of projects are under consideration with the not-for-profit sector, including:

- ◆ Energy improvements in community halls located within a rural area of a regional district, and owned and operated by a not-for-profit society;
- ◆ Purchase of cars for a car share co-operative, used as an alternative to individual ownership and as a practical alternative to traditional public transit in a small community;
- ◆ Aeration equipment, that will be owned and operated by an improvement district, and used to provide cleaner, safer potable water for both the improvement district and a number of individual water systems; and
- ◆ Community recycling facilities to be owned and operated by a not-for-profit.

Featured Project: Recipient Partnerships **Regional District of Kootenay Boundary Greenwood Solar Project**



The Gas Tax agreement in BC encourages the building of local partnerships to achieve the most efficient use of funds. The **Regional District of Kootenay Boundary** allocated a portion of its Community Works funding to the **Heritage Development Organization** in the **City of Greenwood** to connect the Greenwood Solar Power Project to the hydro grid. The revenue generated from the sale of energy will contribute to future project improvements.

The Solar Power Project is a public demonstration site for alternative energy that is located in the historic Greenwood Sub-Station built in 1906. The Solar Power Project is one of two alternative energy installations in the service area.

Working Together: Complementary Initiatives

The objectives and outcomes under the agreements are closely aligned with other initiatives of the partners and of the recipients. These initiatives are separate from work being undertaken directly under the GTA and PTA, but are complementary to the goals under the agreements in that they will result in reduced greenhouse gas (GHG) emissions, cleaner air, cleaner water or more robust sustainability planning at a local level.

While not exhaustive, the following provides examples intended to show the array of complementary programming by federal, provincial and local governments, and to highlight what can only be described as a significant commitment towards common goals of supporting sustainable communities.

The goals and objectives of Gas Tax and Public Transit Agreements are closely aligned with a number of other initiatives of the Federal Government, the Provincial Government, UBCM and recipient Local Governments.

- 1 ♦ **The Building Canada Fund** in the federal Budget 2007 makes an historic investment in infrastructure of more than \$16 billion over seven years – bringing federal support under a new long-term plan for infrastructure to a total of \$33 billion federally, including the funding provided in Budget 2006. The plan provides greater predictability, flexibility and accountability, and makes an important contribution towards the economy, the environment and our energy needs. Gas Tax funding for municipalities will rise to a national total of \$2 billion per year in 2009-10 and Budget 2007 commits to extending this funding an additional four years until 2013-14, delivering \$8 billion nationally in new predictable funding for sustainable infrastructure in our cities and communities.
- ♦ Each of the federal and provincial governments recently announced additional funding under the **Municipal Rural Infrastructure Program** of \$23.5 million, bringing the total federal and provincial investment and matching local government contribution to more than \$220 million. The “green” component of this program supports sustainable water, wastewater, transit, and community energy infrastructure and a number of non-green project categories (including some recreation projects like bike paths and walking trails) will also result in outcomes complementary to those intended under the Gas Tax and Public Transit Agreements.
- ♦ The Provincial Government has committed to reducing greenhouse gas emissions by 33% by 2020. Along with that commitment are the Province’s commitments to become carbon neutral by 2010 and to a **Green Communities Agenda** aimed at supporting community climate change and GHG emission reduction initiatives.
- ♦ Infrastructure Canada’s **Knowledge-building Outreach and Awareness** program has funded numerous studies in community sustainability over the past several years;
- ♦ The Federal Government created a \$119 million **Public Transit Capital Trust** for BC, and the Provincial Government used this funding to support the purchase of 20 hydrogen buses, increased support to BC Transit to allow for expanded transit services, and a \$52 million **Public Transit Infrastructure Program** which is being administered by UBCM in conjunction with the Public Transit Agreement funding.

- ◆ UBCM administers a *Regional Community to Community Forum* program, jointly funded by the federal and provincial governments, which provides funding to support dialogue events and relationship building between First Nations and local governments at a local level. In addition, the program supports a province-wide Local Government-First Nations event once every two years, with the next one planned for 2008.
- ◆ Numerous local governments have undertaken considerable work to move forward on GHG reductions, clean air, clean water and integrated community sustainability planning initiatives. These initiatives include everything from internal operations and local government services (e.g., fleet vehicle conversions, setting GHG reduction targets and strategies, LEED civic buildings, and landfill gas extraction) to guiding development (e.g., smart growth, new development sustainability checklist, and private sector green building policy) to transportation and community wide initiatives (e.g., smart transit planning, community energy planning, conservation initiatives, green energy production).

Results Based Approach

Gas Tax and Public Transit Agreements are less prescriptive than many previous infrastructure funding programs, focussing on outcomes rather than direct control by the funding agency.

Both the GTA and PTA take a results based approach and both are heavily focused on environmental outcomes, including reducing GHG emissions, and moving towards cleaner air and cleaner water. The focus on results is a fundamental aspect to both agreements and is a departure from many funding programs; it allows for the investment to be focused on these priorities, while offering considerable flexibility to fund projects that matter most locally.

In addition to the intended outcomes of reduced GHG emissions, cleaner air and cleaner water, the GTA aims to build

local government capacity to undertake and implement integrated community sustainability planning (ICS Planning). These planning processes can help communities to develop a broadly based sustainability vision, including environmental, economic, social and cultural elements, and ICS Planning implementation measures can help the community to move towards this vision.

Another important objective of the BC GTA is to recognize the need for, and support the development of, regional or inter-jurisdictional infrastructure investment decision-making in the more urbanized regions of the province. Given the nature of many of our urbanized regions, with many local government jurisdictions in close geographic proximity, the agreement recognizes the importance of local jurisdictions considering infrastructure priorities in concert with their neighbours.

Intended outcomes include reduction of greenhouse gas emissions, cleaner air, cleaner water, increased local government capacity to undertake and implement integrated community sustainability planning and enhanced inter-jurisdictional collaboration.

Program Design to Support Intended Outcomes

Programs, tier structure, evaluation of applications, and the implementation program were all designed specifically to support the intended outcomes.

Maximizing these intended outcomes is an essential element woven throughout the GTA and was the key consideration in the design and delivery of the agreement's component programs.

The agreement organizes all jurisdictions into three tiers, depending on the degree of urbanization of the region. This allows it to take an inter-jurisdictional approach in the more urbanized regions, while also providing some funding for individual local priorities. In addition, the agreement

specifically supports innovation because the lessons learned by taking an innovative approach in one jurisdiction can often be transferred to similar circumstances in other jurisdictions, leading to a cost effective means to improved sustainability.

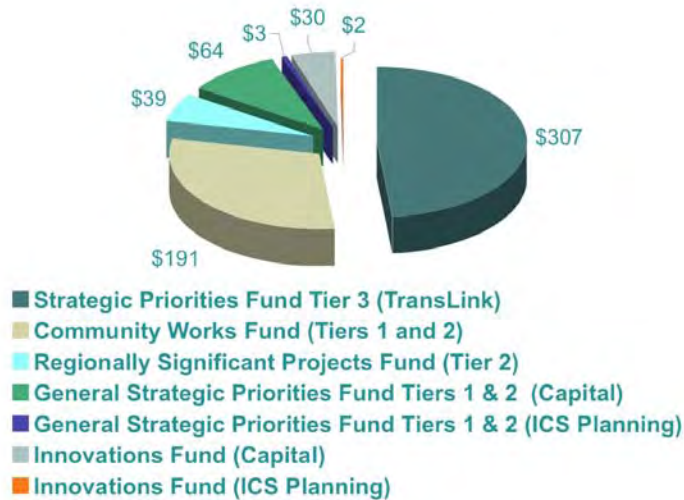
Building on the programs set out in the GTA, the Partnership Committee, in June 2006, set program objectives, criteria and spending priorities for the pooled programs, which resulted in the following program allocations:

- ◆ The Innovations Fund was set at 5% of the total GTA Funding (about \$32 million) and supports projects that represent an innovative approach to achieving the GTA's desired outcomes through an application-based program available to all local governments. Of the fund's total, 5% was notionally allocated for capacity building and ICS Planning projects (about \$1.6 million);
- ◆ All funding for Tier 3 (Greater Vancouver Regional District and its member municipalities) is pooled and directed towards transit investments proposed by the Greater Vancouver Transportation Authority (TransLink) and approved by the Management Committee; this program, estimated at about \$307 million, is in keeping with a unanimous resolution of the Greater Vancouver Regional District, that recognizes the importance of inter-jurisdiction transit infrastructure for the region;
- ◆ Some funding for the other areas of the province (Tiers 1 and 2) is delivered directly through Community Works Funds; this program, estimated at about \$191 million, allows eligible local governments to make local decisions about which eligible projects to fund;
- ◆ The Regionally Significant Projects Program reserves about \$39 million for priorities identified by the more urbanized of the regions outside of Greater Vancouver (i.e., Tier 2 regions);
- ◆ The remaining \$67 million was pooled in a General Strategic Priorities Fund available to Tier 1 and 2 regions on an application basis, with funding being provided for those applications that best align with program objectives. Of the fund's total, 5% is notionally allocated for capacity building and ICS Planning projects (about \$3.4 million).

Gas Tax Agreement funding of \$635.6 million is delivered through a combination of direct allocations (Community Works of \$191 million and Tier 3 Strategic Priorities of \$307 million) and application-based programs (Regionally Significant Projects of \$39 million, General Strategic Priorities of \$67 million and Innovations of \$32 million).

Chart 1: Program Summary

(all figures are estimated program dollars in millions)



Featured Program: Tier 3 Strategic Priorities Fund TransLink

The Metro Vancouver region (formerly the Greater Vancouver Regional District) has allocated its full share of the Gas Tax Fund to TransLink, the regional transportation authority. This revenue is helping TransLink to expand and modernize its bus fleet and to increase the operating frequency of transit services. In 2006 and 2007 combined, the Gas Tax Fund contributed \$73 million toward TransLink's \$128-million purchase of 258 buses including compressed natural gas (CNG) and clean-diesel vehicles, articulated vehicles and highway coaches.

Another \$40 million, received from the Public Transit Agreement, helped to purchase 34 SkyTrain rapid transit cars and 24 smaller-sized Community Shuttle buses to further expand transit services and relieve congestion.

So, what does the Gas Tax Fund really mean to the region?



It means more efficient use of road space to promote goods movement and economic growth. As an integrated transportation agency with responsibility for major roads as well as public transit, and the lead organization for a regional goods movement study, TransLink's transit investments are made within the context of regional transportation priorities as a whole.

One bus can carry the same number of passengers as dozens of single-occupancy vehicles. By giving more travellers a viable

Featured Program: Tier 3 Strategic Priorities Fund, TransLink, Continued

transit option for some or all of their trips, expansion of bus service helps to limit congestion on the roads, allowing more access and shorter travel times for vehicles involved in goods movement. And because Metro Vancouver is a major city, port and gateway, the economic benefits are realized not only regionally but also provincially and federally.

It means more environmentally friendly transportation.

TransLink's Emissions and Environmental Policies commit the organization to operating in an environmentally responsible manner.

The Gas Tax Fund is helping TransLink to move to hybrid and alternative technology buses for much of its upcoming fleet expansion and modernization. In addition to regional air quality benefits, these buses will help the country and the province to meet targets for reducing greenhouse gas emissions.



It means improvements for transit service, notably in suburban areas of the region.

Many suburban municipalities in Metro Vancouver are growing rapidly. As well, travel patterns of suburban commuters are dispersing—a growing percentage no longer take the standard commute of yesteryear into downtown Vancouver. There is much more suburb-to-suburb travel.

Gas Tax Fund revenue will help TransLink to continue transit service improvements in suburban areas. Regional connector buses link major "town centres" in various municipalities. A new South of Fraser Area Transit Plan is about to substantially improve and reshape bus services in Surrey, Langley, Delta and White Rock during the next five years and beyond.

Federal funding makes it possible for TransLink to move forward with transit improvements such as these, while also tending to its other priorities.

In sum, it means a more sustainable path of growth for Metro Vancouver.

The provision of public transit contributes significantly to sustainable community development.



Design of the Application-based Programs, and Setting Evaluation Criteria

Following Partnership Committee decisions on criteria and spending priorities for the General Strategic Priorities Fund and the Innovations Fund, UBCM set about refining programming details and in September, 2006, made recommendations on screening and ranking criteria to the Management Committee.

In scoring and ranking applications in the capital project categories, significant weight was given to the degree to which the project was expected to contribute to reduced GHG emissions, cleaner air or cleaner water outcomes. In addition, scoring took the other program objectives set by the Partnership Committee into consideration, including:

- ◆ Attaining greater local government collaboration, coordination and cooperation in planning and implementing infrastructure priorities; and
- ◆ Encouraging innovative, collaborative and comprehensive approaches to achieving sustainable communities (e.g., consistent with communities that are socially, economically and environmentally healthy and that make efficient use of public facilities, services, land and other resources; utilize more broadly based sustainability principles such as demand management; maximize the benefits of infrastructure investment; and provide new infrastructure technology, plans or planning processes, particularly those that could be used in other circumstances in other jurisdictions).

Consequently, the ranking and scoring criteria were closely aligned with the GTA's GHG reduction, clean air and clean water outcomes, and also with the additional objectives inherent in BC's GTA, including innovation and inter-jurisdictional collaboration.

Featured Project: Innovations Fund **Sunshine Coast Regional District Landfill Gas to Energy Project**



*55 kw external combustion engine
(artwork courtesy of Stirling Biopower)*

One of the keys to achieving a sustainable energy supply is the utilization of energy produced as a byproduct of infrastructure systems. Sunshine Coast Regional District (SCRD) will be using funding from the Innovations Fund to utilize landfill gas by incorporating innovative conversion external combustion technology to produce electricity. While the technology has been successfully employed in other parts of the world, external combustion engines have not been widely employed in landfill gas applications in North America. Anticipated benefits of this technology include reduced environmental impacts due to the engine's emissions free operation, improved operating efficiency,

reduced need for expensive pre-treatment of landfill gas, and lower overall maintenance costs.

Featured Project: Innovations Fund, Sunshine Coast Regional District Landfill Gas to Energy Project, Continued

Electricity produced by the landfill will be used to power the nearby Chapman Creek Drinking Water Treatment Plant, with the remainder being sold to BC Hydro. Waste heat produced from the electricity conversion process will be collected for on-site use as a heat source for existing facilities and future developments. The SCRCD anticipates that the new technology will reduce greenhouse gas emissions of CO₂ by a total of 13,120 tonnes per year.

For capacity building and ICS Planning applications, the GTA GHG reduction, cleaner air and cleaner water outcomes took on less prominence, primarily because capacity building and ICS Planning projects do not necessarily need to lead towards these outcomes. Instead, capacity building/ICS Planning ranking and scoring focused much more directly on the ICS Planning framework established by the Partnership Committee (e.g., broad scope, including environmental, economic, social and cultural sustainability elements; collaboration and public engagement; and long term thinking).

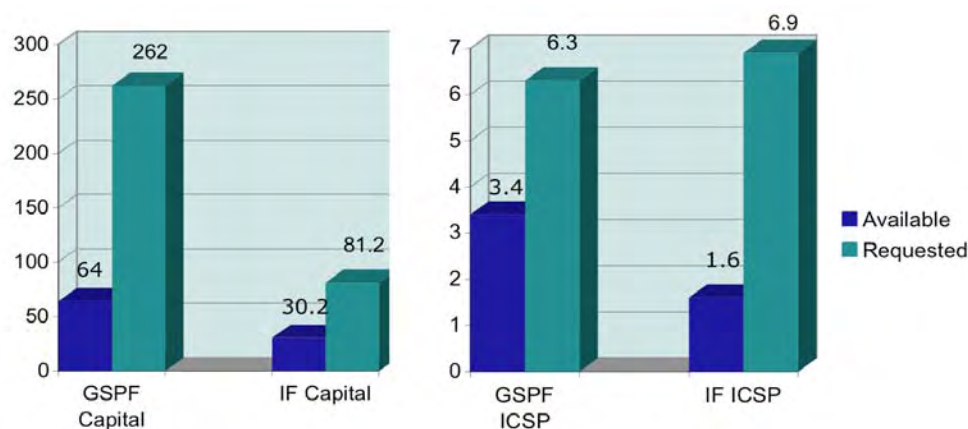
In addition, and in recognition that ICS Planning was a new concept in many BC communities, part of the funding allocated for capacity building/ICS Planning projects was directed towards Community Assessments – a tool to help a community identify ways in which it can move forward towards sustainability. The funding directed towards Community Assessments recognizes that not all communities are at the same stage of readiness to undertake sustainability planning, and that a targeted investment of Gas Tax funding towards those communities that were just beginning to think about ICS Planning could serve to “kick-start” the process. Funding for Community Assessments was limited to \$5,000 per community, except in circumstances of financial hardship, and applications were reviewed in the context of ensuring the project was eligible for funding, that the process to undertake it met with ICS Planning elements, and that the project was intended to result in identification of next steps towards sustainability in the community.

Response to Call for Applications

Applications were invited from eligible applicants in October 2006, with an application deadline of February 16, 2007. The deadline for capacity building/ICS Planning applications was subsequently extended to May 31, 2007, to allow more time for applicants to assess their needs in relation to this relatively new program.

The response to the call for applications was positive, with 81 General Strategic Priorities Fund and 68 Innovations Fund applications received. These applications represent funding requests of \$268 million and \$88 million for General Strategic Priorities Fund and Innovations Fund, respectively. Both programs were therefore significantly oversubscribed, with General Strategic Priorities Fund applications representing 392% of available funding, and Innovations Fund applications representing 277% of available funding.

Chart 2 - Applications Received as Compared to Available Funding
(in millions):



Funding Decisions

The Management Committee is responsible for deciding which projects proposed for funding under the pooled funds will be funded and most of these decisions (i.e. funding under Regionally Significant Projects, General Strategic Priorities Fund and Innovations Fund) occurred after the end of this reporting period. Consequently, details of those decisions will be reported in a subsequent Annual Expenditure Report. This report does, however, highlight some of the approved projects as “Featured Projects” where they serve as particularly useful examples of the results that can be achieved in the programs.

2

Towards Integrated Community Sustainability Planning

4

While ICSP’s are not a specified outcome under the Gas Tax Agreement, improving the capacity of local governments to plan for integrated sustainability is a program level outcome. ICS Planning is supported by the Gas Tax Agreement and by all Parties to that agreement; as such, it could be considered one of the intended results of the agreement. Investments made in increasing local government capacity to undertake and implement ICS Planning can produce benefits in many areas, including supporting infrastructure investment decisions that lead to more sustainable communities.

Local governments recipients of GTA funding have committed to undertake ICS Planning, either individually or as part of a regional strategy, and while the GTA defines ICS Planning, it requires the Partnership Committee to develop an ICS Planning framework.

Much of the Parties' work relating to ICS Planning this year focused on developing this framework and designing program parameters that would support an ICS Planning results based strategy. In addition, considerable work towards implementing that strategy has been undertaken by the Provincial Government.

The Provincial Government led work on development of the ICS Planning framework and in doing so, established an Advisory Committee with representatives from the federal and provincial governments, local governments, academia, and the broader sustainability community, including non-governmental organizations and stewardship trusts. The Gas Tax Agreement itself provides some context in that it describes some of the sustainability elements already included in BC's planning framework (e.g., a requirement for multi-year financial plans, linkages between financial planning and land use planning, regional plans in some areas that reflect environmental, social, economic and cultural objectives). Given this context, a number of themes emerged from the Advisory Committee and from consultations with local governments and other participants at a series of ICS Planning workshops throughout the province, including:

- ◆ ICS Planning should build on the existing planning framework rather than requiring another plan (i.e., ICS Planning should emphasize planning rather than a plan and focus on a process rather than product);
- ◆ Sustainability planning has a greater chance of producing results if it is undertaken in collaboration with others in the community, takes a long-term perspective, is an integrated, holistic approach, and identifies practical actions to implement plans and measure progress;
- ◆ Integrated community sustainability is not just about planning; sustainability thinking can be incorporated into other internal operations and decision making processes; and
- ◆ While most BC communities are already advancing towards ICS Planning, some are further along the continuum than others, and many will need support to move forward.

This work greatly informed the Partnership Committee's decisions on the ICS Planning framework, which took the approach of focussing on the elements of a planning process that would elevate it to a more integrated approach to sustainability. The Partnership Committee established an ICS Planning framework that requires local governments to ensure that plan updates or new plans undertaken under the *Community Charter* or *Local Government Act* consider the following key sustainability elements:

- ◆ Long term thinking (e.g., local governments consider extending the planning horizon beyond the normal 3-5 year planning timeframe);
- ◆ Broad in scope (local governments consider the community's environmental, economic, social and cultural sustainability);
- ◆ Integration (local governments better co-ordinate their approach to community sustainability through linkages between different types of plans); and
- ◆ Collaboration (local governments engage the public and other partners in planning processes to support community sustainability).

The framework provides a "sustainability lens" through which a local government can view its existing or new plans and planning activities. For instance, when undertaking a

review of an existing land use plan, the local government would consider whether that plan could be better integrated with other planning documents (e.g., transportation plan, capital investment plan, solid waste management plan, etc.), and realign the revision process to ensure these linkages are made. Similarly, the local government would consider whether the plan's timeframe and scope are appropriate or whether the plan should look further into the future or be expanded to reflect the four pillars of sustainability.

Central to this approach is that it enables local governments to use existing planning tools more effectively by emphasizing the key sustainability principles, rather than having to create a new plan. As an alternative to this approach, some BC local governments are choosing to develop a single overarching sustainability plan from which all other plans and activities of the local government would flow. While this latter approach is not mandated, some local governments find it a useful way to focus on the community's sustainability objectives.

Regardless of the approach taken towards ICS Planning, program information focuses on taking a fresh look at the community and its sustainability objectives, taking a more holistic approach to planning, extending the concepts to include internal operations and decision-making processes, and ensuring that processes include a realistic implementation program and appropriate monitoring and evaluation activities to help ensure plans become useful and remain relevant over time.

Integrated Community Sustainability Planning focuses on either using existing planning tools more effectively, through use of a “sustainability lens”, or development of an overarching ICS Plan, from which all other plans and activities would flow.

4

Featured Project: Integrated Community Sustainability Planning - Cariboo Regional District



Green Lake – a pristine example of a marl lake

Green Lake is situated on the boundary between the **Thompson-Nicola Regional District (TNRD)** and the **Cariboo Regional District (CRD)**. In response to concerns about growing residential development around the mineral rich marl lake, the regional districts undertook a joint review using Gas Tax funding to conduct an ICS Planning project. Beginning with a poll of residents, the project conducted studies on sources of pollution in Green Lake, making particular note of the threat of failing septic systems. The project also studied issues arising from the varying jurisdictional areas in the two regional districts, such as the CRD's situation outside the boundary for Riparian Area Regulation.

The completion of the ICS Planning project prepares the way for the development of an official community plan (OCP). The process for developing the OCP will include consultation with the **Northern Shuswap Tribal Council, the Shuswap Nation Tribal Council and High Bar First Nations**. CRD plans to fund the OCP with Community Works funding.

The Provincial Government is also leading a broader capacity building initiative called *Smart Planning for Communities*. This initiative aims to increase communities' capacity to plan and implement comprehensive strategies on social, environmental, economic and cultural priorities using a platform that brings together a variety of partners implementing and developing capacity in BC communities as they move forward on addressing principles of sustainability. The business plan for the initiative is focussed on three elements: a partners group to oversee the five year business plan; a network of regional facilitators supported by specialized facilitators, leading-edge sustainability practitioners and experts; and communication resources including a website linking an array of information resources, contacts and guidance on implementing sustainability planning in BC.

Implementation Program: Managing to Maximize Outcomes

With both agreements being relatively new (BC's GTA is about a year and half old, and this is just the first year for the PTA), much of the Parties' efforts remain focused on implementation issues.

The GTA represents a fundamental shift from many previous infrastructure funding programs. Previous programs tended towards prescriptive, rule bound structures, which placed much decision-making and control in the hands of the funding agency. In essence, detailed eligibility rules set out exactly what types of infrastructure could be funded, all funding decisions were made by the funding agency, and funds were handed over only after satisfactory completion of the project and an accounting review of expenditures. To a large extent, particularly with respect to the Community Works Fund program, the GTA shifts decision-making to a local level – funding is distributed based on an allocation formula, and recipients choose what to fund. Eligible projects are stated as broad categories of investments, desired outcomes are emphasized and recipients are accountable for decision-making within the framework of the agreement and for reporting on those decisions and their results.

While this shift is welcomed by local governments in that it supports funding of local priorities, the magnitude of the change has created some implementation challenges and some uncertainty:

- ◆ Uncertainty created because some elements of the accountability framework (e.g., outcome indicators, incrementality, and ICS Planning framework) could not be fully developed at the time the agreements were signed: Some experience with the agreements was needed in order to inform the development process, but much progress towards these development activities was made during the year. This progress is highlighted elsewhere in this report.
- ◆ Uncertainty created because of the broad language of the eligible project categories: In some instances, it was not clear whether or not a specific project identified by a recipient was eligible for funding, or whether specific components of a project are eligible, while others are not. While the Parties did not take on a decision-making role with respect to determining the eligibility of specific proposed Community Works Fund projects, they did act proactively to provide advice on eligibility, which included, in some cases, the Partnership Committee making determinations.

- ◆ Uncertainty about the specific roles and responsibilities of the Parties and recipients and how these interrelate: As in any new partnership, there was a learning curve for each of the Parties and recipients to settle into their new roles and to know what was expected of them and how those expectations connected with the roles of other partners.

In keeping with the Parties' general approach, these implementation challenges and uncertainties were managed in a collaborative way. UBCM, in its role as funding administrators, took a lead role in communications with recipients, but was supported in that role by expert policy advice from both the federal and provincial governments. In addition, the federal government created formal opportunities to work through implementation issues through a series of national workshops with GTA signatories. These workshops were extremely effective in supporting implementation efforts of the signatories and working towards a consistent approach to those issues with national significance.

UBCM's implementation and outreach program included:

- ◆ A series of Gas Tax workshops last year aimed at increasing recipient awareness of eligible project categories and the recipient accountability framework; 7
1, 2, 4, 5, 7
- ◆ A series of consultation sessions with recipients on the development of the Strategic Priorities Fund and Innovations Fund programs;
- ◆ Individual support to Tier 2 regions as they developed a process to collaborate on regionally significant projects; 6
- ◆ Individual support to all recipients seeking information about the agreements and roles and responsibilities under the agreements;
- ◆ Various information sessions, including at the UBCM annual convention and the Local Government Leadership Academy;
- ◆ A series of Gas Tax information bulletins, focussing on technical issues and decisions of the Partnership Committee;
- ◆ Program guides for the General Strategic Priorities Fund and Innovations Fund capital and ICS Planning programs;
- ◆ Consultation with local governments during the development of an incrementality methodology;
- ◆ Creating a focus group of local government financial officials and auditors to make recommendations on the auditing and reporting framework; and
- ◆ Information sessions with both federal and provincial elected officials to advise on progress.

Managing implementation was also a collaborative effort. Federal government brought signatories together nationally. Provincial government led work on ICS Planning development. UBCM led work on program development and took the lead role in collaboration with local governments.

In addition, the Provincial Government led a series of 12 ICS Planning workshops, which introduced the ICS Planning concepts to numerous communities and the Federal Government led a number of initiatives, including facilitating dialogue amongst Gas Tax Agreement signatories throughout the country and undertaking significant work towards identifying appropriate outcome indicators, in consultation with these signatories.

Funds at Work in Communities: Funds Distributed

Despite the pooled nature of some of the GTA funding, the vast majority of funds under both agreements have been distributed to recipients and are at work in communities.

79% of the Gas Tax Agreement funding and 88% of the Public Transit Agreement funding received by UBCM to date has been delivered to recipients.

- 7 Under GTA, 100% of the amounts received to date by UBCM for the Community Works Funds and Tier 3 Strategic Priorities Fund were distributed to recipients (i.e., \$23.2 million for each of fiscal 2005/06 and 2006/07 for Community Works Fund and \$36.8 million for each of 2005/06 and 2006/07 for Tier 3 Strategic Priorities Fund). This represents 79% of the \$152.5 million GTA payments received from Canada by UBCM to date.
- 7 88% of the funding received under PTA has been delivered, although this represents funding for only three transit systems: TransLink (\$40,331,588), the Victoria Regional Transit Commission (\$5,153,255) and the City of Kamloops system (\$724,384).

Funds Held by UBCM: Status of Pooled Program Approvals

Many funding decisions on Regionally Significant Projects and the General Strategic Priorities Fund and Innovations Fund were made in the June – August 2007 period.

The remaining GTA funding is comprised of the pooled funding under the Regionally Significant Projects, and the General Strategic Priorities and Innovations Funds. Due to program development activities in the first year of the agreement, applications for these programs were not invited until October 2006, and funding decisions were not made until after the end of the reporting period.

Although final decisions have not yet been made, it appears that the five year Regionally Significant Project funding of \$38.6 million will be fully allocated by the end of the next reporting period. It is expected that only some of the General Strategic Priorities Funds (five year total of \$67.3 million) and Innovations Funds (five year total of \$31.8 million) will be used towards projects approved from the first intake of applications. Consequently, applications for General Strategic Priorities Funds and Innovations Funds will be invited again later this year.

Even though BC Transit and its local government transit systems' partners undertook considerable capital needs assessment work this year, PTA funding for the smaller transit systems in the province has been slower to deliver than expected. While there are identified capital needs in all of the transit systems, prioritizing those needs and matching them to available funding has proven difficult. In essence, the amount allocated per system has in some cases proven to be too small to be very useful in fulfilling the most pressing capital needs of these systems.

Announcement of the provincially funded PTIP program will help the smaller transit systems make the most of PTA funding.

However, this problem was alleviated late in the reporting period with the announcement of a new provincially funded Public Transit Infrastructure Program (PTIP). Like the PTA, the \$52.5 million PTIP allocates funding on a per system basis, but the PTIP distributes on a formula that takes both ridership and population into consideration. This formula results in allocations for most of the smaller transit systems that are somewhat higher than what was allocated to these systems under PTA. An additional feature of the PTIP program design is that this funding may be combined with PTA funding and used towards a single transit capital project. Consequently, the smaller transit systems may find the combined PTA and PTIP funding allocation to be more suitable for their capital needs. It is therefore expected that the majority of the PTA funds will be delivered to these smaller systems in the next reporting period.

Projects Funded This Year: Public Transit Agreement

15

There were three projects funded under the Public Transit Agreement fund this year: the City of Kamloops/BC Transit system will use its \$724,384 towards a nine bay transit exchange at Lansdowne Street and 6th Avenue; the TransLink transit system will purchase 34 SkyTrain cars and 24 community shuttles with its \$40.3 million allocation; and the Victoria Regional Transit Commission/BC Transit system will use its \$5.2 million funding allocation towards a new median busway from downtown Victoria to Saanich Road allowing for bus rapid transit along this congested commuter corridor.

Public Transit Agreement funding has been used towards a transit exchange in Kamloops, SkyTrain cars and community shuttles in Greater Vancouver, and a median bus-way in Greater Victoria.

Greenhouse gas reductions are expected from each of these projects, resulting primarily from increased transit ridership expected because of either service enhancements or increased comfort and safety. In addition, emission from the buses themselves will be reduced through decreased bus congestion, (e.g., through transit signalling priority) and “right-sizing” of buses (e.g., using smaller, fuel efficient community shuttles on routes where ridership does not yet support a conventional size buses).

It is also important to note that outcomes achieved as a result of this funding are significantly enhanced due to investments made by the communities themselves. While Public Transit Agreement funding could have been used to pay 100% of the eligible costs of an eligible project, each of the communities chose to invest significant internal funding towards a larger project. In the Kamloops case, PTA funding represents about 48% of the estimated \$1.5 million capital cost of the project; similarly, PTA funding represents 27% of the \$152 million TransLink project and less than 33% of the Victoria Regional Transit Commission project.

Featured Projects: Using Public Transit Agreement Funding



Kamloops Transit Exchange

The new nine bay transit exchange at Lansdowne Street and 6th Avenue will include roadway improvements, a dedicated transit only lane, an intersection queue jumper/transit priority signal, lighting, and pedestrian improvements. The new facility will consolidate all existing transit services at one location, allowing users to make quicker and easier transfers. Greenhouse gas emission reductions are expected to be

achieved through both reduced fleet emissions (layover area and priority signalling) and increased ridership (increased safety, comfort and convenience).

TransLink, SkyTrain Vehicles and Community Shuttles

34 SkyTrain Mark II vehicles and 24 Community Shuttle vehicles will be purchased during 2006 and 2007.

The 34 new SkyTrain cars will provide an overall capacity increase of 22%, which equates to additional people-moving capacity of about 1,700 passengers per hour in the peak period, or 2.3 million peak period passengers per year. There is a demonstrated demand for increased service levels on the SkyTrain Expo Line, which is operating at its practical capacity during peak hours.

Community Shuttle transit vehicles provide a service to communities that have an identified need for transit, at relatively lower demand levels than communities served by conventional buses. All of the Community Shuttles will be used to provide expanded services to communities identified throughout the Area Transit Plan.



Greater Victoria Douglas Street Bus-Way



A new median bus-way from downtown Victoria to Saanich Road on the Trans-Canada Highway will be constructed, converting the existing right-of-way from a 6 lane mixed use facility without bike lanes to a facility with 2 bike lanes, 2 transit-only lanes and 4 general purpose travel lanes. The project will accommodate Bus Rapid Transit along this congested corridor.

The project is consistent with the region's long-range plans, including

the Regional Growth Strategy and TravelChoices, the region's transportation strategy.

The funding proposal for this project suggest that in the first year of operation, the bus-way will reduce regional greenhouse gas emissions by about 238 kT, which result from increased ridership and also from the ability of the facility to reduce the amount of time and distance transit vehicles spend in stop and go traffic conditions, thus reducing emissions output by almost 40%. Ridership increases in the corridor are expected to be in the 15% range, as compared to an annual growth rate of 5-7% across the region. Cycling is encouraged through the development of the 2 bike lanes, extending the region's well-developed network of cycling facilities.

Projects Funded This Year: Gas Tax Agreement

15

Gas Tax Agreement funding has been used towards the purchase of 258 buses in Greater Vancouver and 140 projects in 70 communities in other areas of the province.

Funding of \$73.68 million allocated to TransLink under the Tier 3 Strategic Priorities Fund for fiscal 2005/06 and 2006/07 will be used towards the purchase of 258 conventional buses to replace older buses and to expand the existing bus fleet.

Gas Tax Agreement funding of \$8.3 million under the Community Works Fund supported 140 projects this year in areas outside Greater Vancouver. These projects represent the full range of eligible project categories, and results are expected for all intended outcomes.

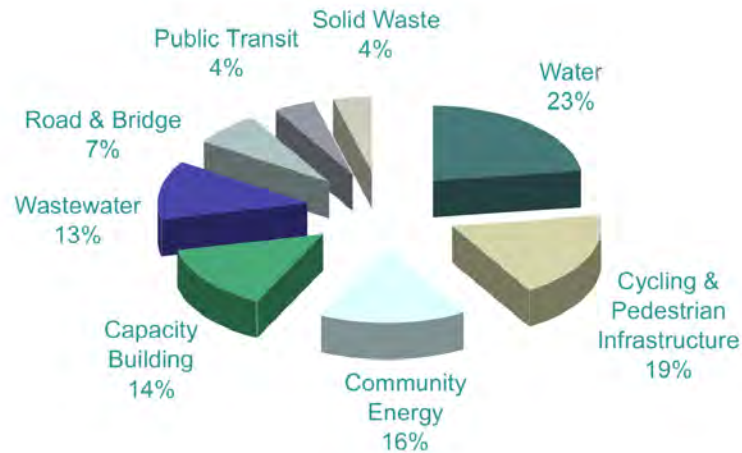
The following table sets out summary statistics by project category for the Gas Tax Agreement projects reported this year. Cycling and pedestrian infrastructure was reported in both "Road and Bridge" and "Public Transit" categories. For the purposes of this summary, projects relating to cycling and pedestrian infrastructure have been removed from these two categories and show as its own separate category.

Table 1: Gas Tax Agreement – Summary of Projects

Project Category	Number of Projects (%) Chart 1	GTA Funding This Year (%) Chart 2	Total GTA Funding All Years	Total Project Costs All Years
Water	32 (23%)	\$1,672,731	\$3,158,048	\$26,872,664
Cycling & Pedestrian Infrastructure	26 (19%)	\$2,128,637	\$4,029,432	\$12,309,565
Community Energy	22 (16%)	\$588,890	\$963,519	\$1,138,519
Capacity Building	20 (14%)	\$521,183	\$1,448,835	\$2,673,104
Wastewater	18 (13%)	\$950,743	\$2,278,454	\$10,286,525
Road and Bridge	10 (7%)	\$915,610	\$1,010,948	\$2,606,265
Public Transit	6 (4%)	\$339,120	\$2,083,620	\$2,092,420
Solid Waste	6(4%)	\$1,214,746	\$1,271,678	\$1,971,677
SUB-TOTAL CWF	140	\$8,331,660.00	\$16,244,534	\$59,950,739
TransLink (all transit)	1 (1%)	\$34,761,344	\$73,678,128	\$131,055,000
TOTAL	141	\$43,093,004.00	\$89,922,662	\$191,005,739

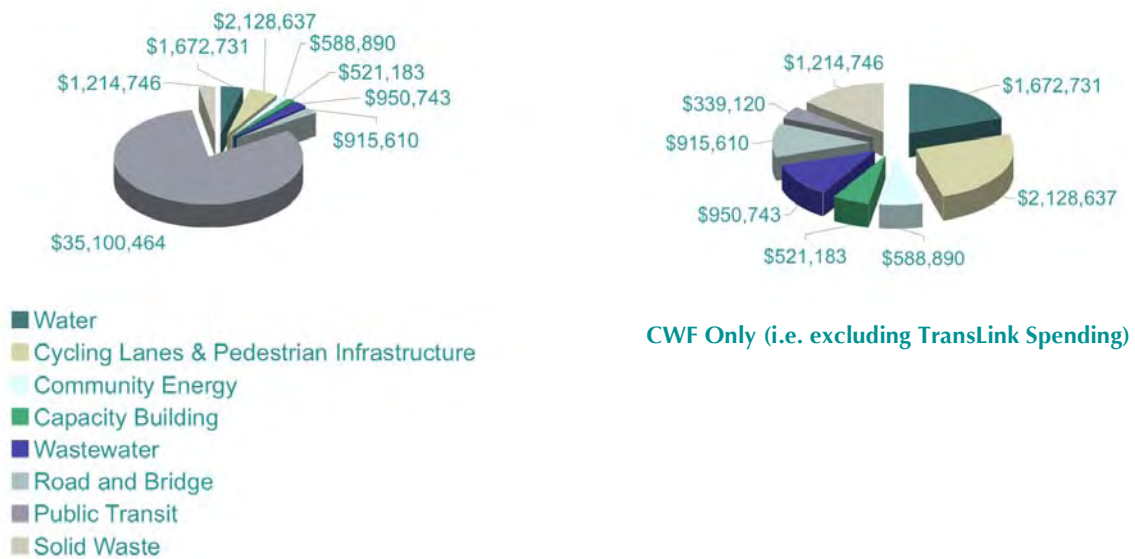
In terms of the number of projects funded, water was the most common (at 23%), solid waste and public transit the least (at 4% each) and the remainder were fairly evenly distributed amongst each of the other project categories.

Chart 3: Number of Projects Using GTA Funding This Year By Project Categories



However, when comparing Gas Tax funding this year, Public Transit infrastructure far outweighed spending in all other project categories with \$35 million compared to \$8 million spent in all other categories combined. Almost all of the transit spending, however, originates from the Teir 3 Strategic Priority Fund (i.e. TransLink). The chart on the right takes TransLink spending out of the totals and graphically depicts Community Works Fund spending by project category.

Chart 4: Gas Tax Funding Spent This Year by Project Category



Tier 3 SPF & CWF (i.e. including TransLink Spending)

This summary information also provides an early indication of the popularity of the Gas Tax Agreement's flexibility with respect to when funding may be used. Given the predictable, multi-year nature of these Gas Tax funds, the Agreement provides for recipients to choose to use funds in the year in which they are received, either for projects completed in that year or towards multi-year projects, and it also offers the flexibility to bank funds received in one year to be used for projects in future years.

Of the 141 projects reported this year, 47 projects (33%) anticipate Gas Tax spending in more than one year, indicating either payment of capital costs as they are incurred during a construction period that spans beyond a single year, or use of Gas Tax funding towards the debt servicing costs related to the eligible project. There is also significant use of the flexibility the Gas Tax Agreement offers to bank funding and use it towards projects in a future year, with recipients retaining \$74.6 million (62%) of the \$120 million Gas Tax Agreement funds distributed to date.

It is also interesting to note that even though Gas Tax funding can be used to fund 100% of the project costs, the actual Gas Tax funding represents only 47% of the total project costs for these projects. The following table summarizes funding sources for all Gas Tax projects reported this year in each of the project categories. This shows a strong tendency towards

combining Gas Tax funds with funding from other sources, of which the vast majority are from the recipients' internal resources.

Table 2: GTA Projects – All Funding Sources to Complete Projects

Project Category	Federal GTF	Other Federal	Provincial	Local Government	Other	Total Funding All Sources
Water	\$3,158,048	\$0	\$4,387,130	\$17,817,236	\$1,510,250	\$26,872,664
Cycling & Pedestrian Infrastructure	\$4,029,432	\$2,275,024	\$1,311,399	\$4,398,593	\$295,117	\$12,309,565
Community Energy	\$963,519	\$0	\$0	\$105,000	\$70,000	\$1,138,519
Capacity Building	\$1,448,835	\$425,000	\$170,000	\$202,269	\$427,000	\$2,673,104
Wastewater	\$2,278,454	\$0	\$419,172	\$7,388,899	\$200,000	\$10,286,525
Road & Bridge	\$1,010,948	\$0	\$0	\$1,593,904	\$1,413	\$2,606,265
Public Transit	\$75,761,748	\$0	\$0	\$57,385,672	\$0	\$133,147,420
Solid Waste	\$1,271,678	\$0	\$0	\$699,999	\$0	\$1,971,677
TOTAL	\$89,922,662	\$2,700,024	\$6,287,701	\$89,591,572	\$2,503,780	\$191,005,739
	47%	1%	3%	47%	1%	

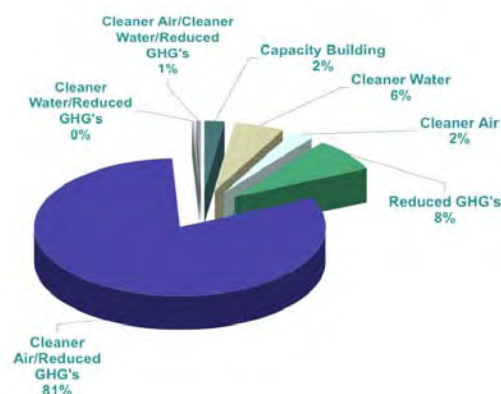
Outcomes were reported in all four outcome categories, with greenhouse gas emission reductions and/or cleaner air outcomes being achieved primarily from community energy, cycling and pedestrian infrastructure, road and bridge, public transit and solid waste projects, cleaner water outcomes achieved primarily from water and wastewater projects, and capacity building outcomes resulting almost exclusively from capacity building and ICS Planning projects.

The following charts summarize projects by outcome reported, both in terms of the number of projects reporting that outcome (i.e. the chart on the left) and the current year Gas Tax spending for that outcome (i.e. the chart on the right.)

Chart 6: Outcomes - Number of Projects



\$ Spent This Year



Of the 141 projects funded this year, 53% are working towards reduced greenhouse gas emissions or cleaner air, 33% anticipate cleaner water outcomes, and 18% are expected to build local government capacity. Outcomes are more heavily weighted towards reduced greenhouse gas emissions and cleaner air in the context of Gas Tax dollars spent, with \$39.7 million (92%) of the \$43 million spent this year going towards projects with reduced greenhouse gas emissions or cleaner air outcomes, and only \$3.4 million (8%) going towards projects that are not reporting those outcomes (\$2.5 million for projects with only cleaner water outcomes, and under \$1 million for projects with capacity building outcomes).

Included in these figures, and shown in the graphs, are projects with cleaner water outcomes that are also expected to reduce greenhouse gas emissions and projects that are anticipating all three environmental outcomes. In essence, local governments are looking to incorporate things like energy efficient components, and energy production in their water, sewer and solid waste infrastructure projects. In addition, many of the capacity building projects, when implemented, will have significant effects in relation to reducing greenhouse gas emissions through the emphasis they place on compact, efficient and sustainable communities.

There are a wide range of projects currently being undertaken in BC that will lead towards these outcomes. The following section serves to highlight some of the projects being undertaken in each of the eligible project categories, as well as to identify each of the communities reporting use of Gas Tax funding towards a project in that category. Further project details will be available on the Federal Government website in the future.

Reduction of GHGs / Cleaner Air

Transit Infrastructure

District of Saanich



Several local governments are working in conjunction with BC Transit to improve public transit. Saanich is channelling its Community Works funds into the creation of a new exchange in Royal Oak. The new exchange will become a key hub in the Capital region, and will be designed to encourage transit ridership by supporting pedestrian and cycling trip chaining.

TransLink Bus Replacement and Expansion



TransLink will use its Gas Tax funding to purchase 258 buses for fleet replacement and expansion purposes. The replacement buses are lower emission and more fuel efficient than those buses being replaced.

The expansion buses have been targeted on new priority transit markets and service upgrades to increase ridership. TransLink's goal is to make transit a "real" alternative to the single-occupant car driver by improving reliability, increasing frequency and providing a comfortable ride.

Other projects are underway in ***Abbotsford, Esquimalt, Port Edward and Prince George.***

Cycling and Pedestrian Infrastructure

Multi-modal Transportation: Township of Esquimalt



After studying traffic volumes in their community, Esquimalt identified an over supply of four lane roads. The Township saw this as an opportunity to re-allocate space to encourage walking, public transit and cycling. By employing landscaped islands, cycling lanes, new street lights and left turn lanes, Esquimalt Road will be safer and more attractive for pedestrians, cyclists and transit riders. Esquimalt has begun construction on the 800 block with Community Works funds, with a plan to include marked bike lanes extending to the 1000 block. The Township expects that their changes will increase cycling trips from 3% to 6% of traffic volume.

Roadside Pedestrian Improvements: Village of Pouce Coupe



Many smaller communities become car reliant due to a lack of a full network of sidewalks. Pouce Coupe is using its Community Works funds for new sidewalks to encourage walking throughout the village. One of the ancillary benefits in the project is increased safety provided by a walking path for children that is linked to the elementary school.

Pathways: City of Quesnel



New cycling and pedestrian infrastructure can integrate previously isolated neighbourhoods within communities. Quesnel is using its Gas Tax allocation from 2006 and 2007 to expand its cycle path network by building a trail to the College of New Caledonia. By providing a safe alternative to automobile transport, the new path is expected to dramatically increase the number of cycling commuters to work and school.

Other projects are underway in ***Abbotsford, Central Saanich, Chilliwack, Coldstream, Fort St. John, Kamloops, Kelowna, Kimberly, City of Nanaimo, North Cowichan, Oliver, Port McNeill, Prince George and Princeton.***

Local Roads and Bridges

Roundabouts: District of North Cowichan



Several local governments are altering traffic patterns in their communities to reduce greenhouse gas emissions. North Cowichan's Official Community Plan identified a number of key intersections in the municipality requiring redevelopment. By transforming a busy intersection from four-way stops to a roundabout through the use of Community Works funding, North Cowichan has been able to greatly reduce engine idling and greenhouse gas emissions.

Other projects are underway in: ***Chilliwack, Canal Flats, Central Saanich, Gibsons, Golden, Midway, Salmon Arm and Taylor.***

Alternative Energy and Energy Retrofits

Solar Energy: City of Dawson Creek



Local government energy conservation comes in many forms. Dawson Creek has installed sun powered pedestrian warning lights at important pedestrian crossings throughout the City. The state-of-the-art lighting system uses a small solar panel to charge a battery pack to ensure a constant and reliable source of energy throughout the year. The units are designed to survive extended exposure to the northern environment and ultraviolet degradation.

Cogeneration: City of Powell River



Hockey arenas are a feature in nearly every community in Canada. Arenas are also a significant consumer of energy. Powell River has created new efficiencies for its arena operations by investing Community Works funding in Free Heaters. Heat previously released to the outside atmosphere is used to warm water that is then stored in tanks. Powell River is able to use the heated water for ice resurfacing eliminating the need to use domestic hot water for this purpose. Three Free Heaters have been installed to date with a secondary 500 gallon storage tank to be added early in the fall of 2007.

Other projects are underway in *Cache Creek, Cariboo, Elkford, Esquimalt, Granisle, Kootenay-Boundary, Langford and Prince George.*

Solid Waste

City of Kamloops



Kamloops has streamlined its collection of residential waste by using Community Works funding to provide standardized residential garbage containers that support an automated collection system. Efficient collection means less idling of vehicles and is the first step in a plan to increase recycling through a curbside co-collection program made possible by the new container system. Not only will the implementation of the project reduce greenhouse gases produced by the landfill, the roadside pickup system will reduce the amount of exhaust generated by residents to and from the current recycling depots.

Other projects are underway in *Cariboo and Quesnel.*

Cleaner Water

Water Systems

Distribution: Regional District of East Kootenay (RDEK)



One of the key factors in the provision of clean water is the quality of the delivery system. The RDEK has invested Community Works funding in the replacement of cracked and eroded pipes in the Moyie Water System. The upgrades will save approximately 29,000 cu.m. of water per year - a 45% reduction in water consumption. The upgrade will also improve water quality by eliminating the inflow of debris and will improve energy efficiency by requiring less pumping. The Moyie Water System upgrades were completed in the fall of the 2006.

Treatment: Town of Qualicum Beach



Funding from the Community Works Fund and the British Columbia Community Water Improvement Program has allowed the Town of Qualicum Beach to provide ultraviolet water disinfection technology for a critical water supply source. This will protect the quality of water from the Little Qualicum River Wellfield which provides two thirds of the Town's supply.

Water Meters: Village of Lytton



Conservation plays a key role in overall water system management. Lytton has used Community Works funding to install Neptune meters on all of its residential, commercial and irrigation connections. The new meters provide the Village with a tool to identify high volume users and provide information in support of public awareness initiatives. By also monitoring how much water is flowing to the wastewater treatment plant, Lytton also has data to assist with its leak detection and repair programs.

Other projects are underway in ***Bulkley-Nechako, Campbell River, Cariboo, Chase, Cranbrook, Dawson Creek, Fort Nelson, Gibsons, Houston, Logan Lake, Masset, Montrose, Nanaimo RD, City of Powell River, Prince George, Quesnel, Salmo, Silverton, Sparwood, Summerland, Terrace and Whistler.***

Stormwater and Wastewater

Wastewater Treatment: City of Port Alberni



The City of Port Alberni used Community Works funding to replace two - 40 year old splash type aerators with two new Revolution self-aspirating aerators. While attaining a similar oxygen transfer rate as conventional models, the self-aspirating aerators are more powerful and efficient. The replacement of the aerators improves the operation of Port Alberni's sewage treatment facility while providing an additional benefit of reducing greenhouse gas emissions.

Other projects are underway in ***Cariboo, Chilliwack, Cowichan Valley, Chase, Fraser Lake, Gibsons, Keremeos, McBride, North Saanich, Oak Bay, Pemberton, Prince George, Terrace, Wells and Williams Lake.***

Solid Waste

Solid Waste: Cariboo Regional District (CRD)



A partnership with Gibraltar Mines helped the CRD develop a landfill at a waste rock dump. Since operations began, leachate has been collected and stored awaiting treatment. The CRD has used Community Works funding for the design and construction of a leachate treatment system. The designs and initial construction started in April 2006 with completion slated for December 2007. This state of the art treatment system, consists of aeration and settling ponds as well as an engineered wetland. The wetland consists of a gradation of engineered ecosystems that include terrestrial uplands and aquatic systems. The established wetland will assist with leachate assimilation and infiltration in perpetuity without the need for further operating or capital funds.

Capacity Building

Transportation and Growth Strategies: Regional District of North Okanagan (NORD)

The NORD will receive funding under the Regionally Significant Priorities Fund to undertake the development of a regional transportation model. The model will incorporate data collection, monitoring and travel demand throughout the region. Participating communities will include the Vernon, Coldstream, Enderby, Armstrong, Spallumcheen, Lumby and NORD electoral areas, the Okanagan Indian Band and the Regional District of Central Okanagan.

The data collected provides a foundation for a regional transportation strategy, supports OCP updates and the Regional Growth Strategy. The model will also assist the undertaking of transportation investments and development of alternative forms of transportation.

Watershed Protection: Nanaimo Regional District (NRD)

Following the directions established by the NRD Drinking Water Action Plan and the NRD State of Sustainability Report, NRD is using Community Works funding to support the activities of their Drinking Water - Watershed Protection Stewardship Committee. Recognizing the increasing pressures on water resources and the importance of ensuring water sustainability for the region, the NRD Board established the Committee to identify action items and initiatives that support protection of surface and groundwater drinking water sources for NRD Electoral Area residents. When approved by the Board, the Committee recommendations will form a long-term action framework to protect and improve both water quantity and quality for residents.

Water Acquisition Strategy: Columbia-Shuswap Regional District (CSRD)

There are currently over 50 water systems within the CSRD with varying forms of ownership and governance. Including the CSRD's own four waterworks, there are private systems, improvement districts, water users' communities, shared interest systems and several unregistered systems. At least three private systems have escheated to the Crown and are without a scheduled operator.

Recognizing safe and reliable water supply as one of the greatest challenges of the foreseeable future, the CSRD has embarked on the development of a strategy to ensure construction of all new water systems to CSRD standards. The strategy will also examine the acquisition process for new and existing systems and the capacity required to operate multiple systems throughout the CSRD.

The strategy, due to be concluded in early 2008, carries an estimated cost of \$75,000 and will be funded through the Community Works Fund.

Design Guidelines: City of Nanaimo

The Downtown Design Guidelines is the third step in the recent planning process for Nanaimo's downtown core, following on the Downtown Plan (2002), and the Downtown Zoning Bylaw (2005). The goal of this Community Works funded project is to provide a framework for the development of the downtown core. The document will use maps, computer modelling, perspective drawings and photographs to demonstrate the design guidelines for the core area.

The ultimate goal of the Downtown Guidelines/Urban Design plan and the work that preceded it is to create a more liveable, use downtown core. At present the consultant is incorporating comments from the review of the draft document. The anticipated schedule will include a public review component in the autumn of 2007 with consideration by Council by the end of the year.

Other projects are underway in ***Cariboo, Central Saanich, Chilliwack, Cumberland, Dawson Creek, Duncan, Kelowna, Lake Cowichan, Lantzville, Mission, Port Alberni, Princeton and Revelstoke.***

Open, Transparent, Accountable Programming

Given that both the GTA and PTA programs are results based programs, where the funding agency devolves considerable direct control over use of funds to recipients, the agreements rely on a robust accountability framework to ensure integrity of the funding program and use of its funds. This framework is composed of the following key elements:

Incrementality: Funds made available under the agreements should be in addition to the infrastructure investments already made by the Parties to the agreement and recipients of the Funds;

Use of Funds: Funds should be used for their intended purpose, and to achieve the intended outcomes, and spending should be undertaken in an open, transparent process that is consistent with value for money; and

Accountability, transparency and full information: The Party making decisions on the use of Funds is accountable to the public for those decisions. Canadians have a right to transparency and public accountability, which is best served by full disclosure.

Accountability framework development focussed on developing a methodology for measuring incrementality, working towards consensus on principles to guide selection of outcome indicators, and refining and developing tools in relation to reporting and communications responsibilities.

1 Accountability Framework Development: Incrementality

Both agreements require that funding represent incremental spending by local government recipients, but give the Partnership Committee the responsibility of determining a methodology for measuring incrementality. The Partnership Committee wanted to develop an approach to incrementality that takes the unique nature of BC's GTA into account. It recognized the collective nature of the funding for Tiers 1 and 2 and the need to treat those local governments in the same manner, while respecting that Tier 3 is treated differently under the agreement and therefore may need or warrant a different incrementality treatment.

Recipient incrementality requirements focus on a collective responsibility for local government recipients to maintain historic levels of capital spending, combined with a similar individual requirement for TransLink and BC Transit.

Consequently, the methodology treats TransLink and BC Transit differently than local government recipients. TransLink and BC Transit are required to maintain their own source capital spending at historic levels (i.e., spending between 2006 and 2010 must be at least as much as spending between 2000 and 2004). This equates to spending of \$591.162 million for TransLink and \$80.645 million for BC Transit. Local government recipients must meet this test collectively; that is, the total net capital spending of all local government recipients between 2006 and 2010 must be at least as much as the total

net capital spending of all local government recipients between 2000 and 2004. This equates to a requirement for these local governments to spend at least \$2.483 billion during the 2006 to 2010 period.

In addition, the Financial Officer for each local government recipient must annually certify that the local government's own source capital spending that year was at least as much as it would have been had the Gas Tax and Public Transit Funds not been received. This certification takes a principle-based approach to local incrementality without tying each individual local government to a particular level of spending annually, and allows Financial Officers to take local circumstances into consideration when making the certification (e.g., average historic spending costs, planned spending, factors which influenced a change from the plan, such as current construction costs, emergency operating needs, loss of a significant portion of local tax base).

In order to facilitate marking progress towards the collective local government commitment to spending at historic levels, the Provincial Government has agreed to provide a report setting out the net capital spending for each recipient local government each year.

Accountability Framework Development: Outcome Indicators

While the agreements are clear on the outcomes to be achieved and the requirement for recipients to measure results in relation to those outcomes, they leave it to the Partnership Committee to develop appropriate measures or indicators. The Partners have undertaken considerable work toward development of outcome indicators.

The Provincial Government, in consultation with UBCM, TransLink, and various other agencies, developed a discussion paper that proposed potential output and outcome indicators. The Federal Government led a collaborative approach to indicator development through discussion at a number of signatory workshops, development of a matrix of potential indicators and establishment of an advisory committee on indicators and a signatory sub-committee. The Federal

Government also commissioned a report on Performance Measurement of the Gas Tax and Public Transit Funds, which was presented and discussed with the Steering Committee on March 21, 2007 and discussed at the April, 2007 signatories' workshop.

There appears to be a growing consensus amongst the parties to the Gas Tax and Public Transit Agreements in BC on a number of elements that should guide the choice of indicators, including:

- ◆ Some commonality in indicators chosen in each of the jurisdictions across Canada should be considered in order to more readily report nationally;
- ◆ To the extent possible, indicators should rely on information that is already collected, and on existing models and processes;

While decisions on indicators are still not finalized, the Partners have done much to set the stage for a decision next year.

- ◆ While quantitative information is generally preferred, there may be some circumstances where qualitative information will be needed, or where it is preferred to tell a more robust story;
- ◆ Indicators should be considered on the basis of how well they are able to measure the actual direct and indirect effect of the investment, including measuring the effect of preventative works, and measuring system-wide benefits;
- ◆ A combination of outcome and output measures should be considered. In addition, consideration should be given to the development or use of models that can convert some of the outputs to outcomes, where those models would produce a credible result and where the development or use of the model is reasonable and appropriate to the circumstances;
- ◆ The measurement system should take the capacity of recipients and the value of individual projects into consideration; and
- ◆ Voluntary measurement and/or reporting on certain spill-over or ancillary benefits should be encouraged, in order that the full impact of the investment can be described.

The indicator development work this year lays a good foundation for continued discussion of these issues in the coming year. The lack of specific indicators has created some uncertainty on the part of recipients, who are now funding and implementing projects, and endeavouring to measure outcomes with no certainty of the measuring methodology that will eventually be used. Consequently, it will be important during the next year of the agreement to come to some resolution on the matter of outcome indicators.

Accountability Framework Development: Reporting Structure

A number of challenges were encountered in the first reporting cycle and the Parties undertook considerable work to refine the annual reporting system. This work resulted in the following enhancements to the system:

- ◆ Clarification of audit report requirements in relation to UBCM's compliance with the agreements, including reliance on a robust narrative format for the Annual Expenditure Report;
- ◆ Employing methods to allow reliance on existing local government external audit requirements; this consisted of a request to recipients to include a Gas Tax/Public Transit note in their audited financial statements, Provincial Government comparison of the notes to financial information reported by recipients to UBCM, and reporting by the Provincial Government to UBCM on qualified audit opinions in local government financial statements; and
- ◆ Facilitating electronic online recipient reporting, using a database developed by the Federal Government; this database not only provides an easy to use platform for recipients to meet their reporting obligations, but will also enhance transparency in reporting in that it will facilitate national level reporting and will eventually provide public access to reported information.

Refinement of the reporting framework focussed on placing reliance on existing accountability systems rather than creating new ones.

In addition, preliminary discussions have occurred amongst the Parties in relation to the interconnections between the Annual Expenditure Report, the Outcomes Report and the Evaluation. The Federal Government initiated the discussion at its December 4 & 5, 2006 signatories' workshop, which resulted in a number of signatories, including UBCM and the Provincial Government, forming a committee to consider and make recommendations on the Outcomes Report. While this work is in its preliminary stages, it is recognized that formulation of the appropriate content, frequency and audience for the Outcomes Report should be fully integrated with thinking on enhancements to the Annual Expenditure Reporting framework and with initial development work on the evaluation. It will be important to clarify the unique purposes of each reporting requirement and to ensure that gaps and overlaps amongst the various reports are addressed.

Accountability Framework Development: Communications

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Over the course of the reporting period, a number of steps were undertaken to develop communications practices in accordance with the accountability framework:

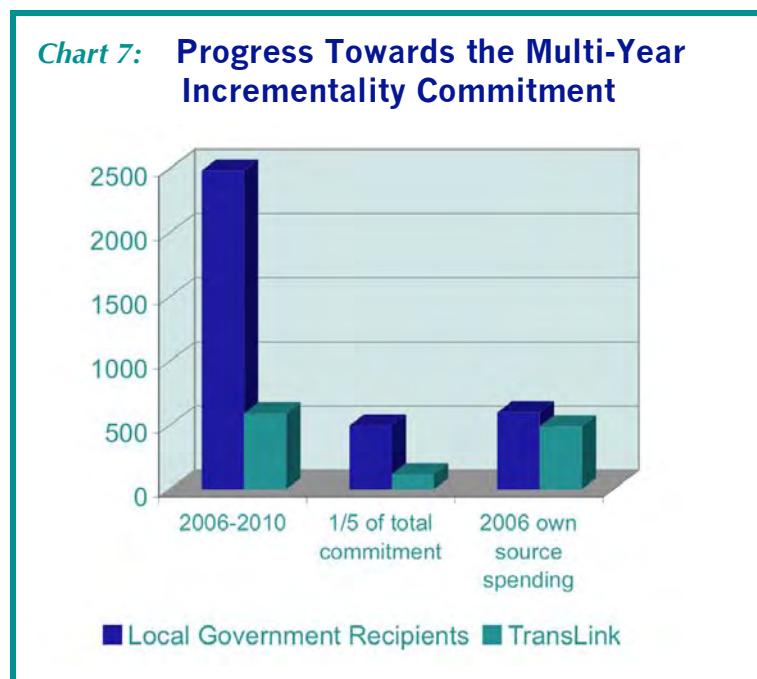
- ◆ New capacity was created within UBCM by the hiring of a communications staff person to coordinate local government communications, liaise with Partner communicators and assist in UBCM's reporting;
- ◆ Collaborative work was undertaken by all of the Partners to provide an online communications toolkit, including a section customized for BC recipients;
- ◆ Communications staff from each of the Partners developed procedures for planning announcements, creating and distributing news releases and coordinating approvals for local government communications products; and
- ◆ The Partnership Committee agreed that further work would be undertaken to develop a formal communications strategy. This work will be based on a communications template developed by the Federal Government and will be undertaken by communications representatives for each Partner.

Year End Reporting: Incrementality

1

All recipients are on target towards fulfilling their incrementality commitments.

The incrementality requirements in relation to recipients are multi-year commitments in that the recipients are required to spend in excess of certain thresholds over the period from 2006-2010. There is no requirement that a particular level of spending be met in an individual year. Consequently, the following is presented not as an indication that recipients have met their commitments this year, but rather to show progress towards the 2006-2010 commitment.



TransLink expenditures have grown so significantly over previous years that it is close to reaching its 5-year commitment already. Not quite all local government recipients are included in the 2006 own source capital spending figures shown above, so that amount will increase once the remaining local governments are included. However, despite this understatement, spending is in excess of the amount that would be needed in each of five years to meet the 2006-2010 collective local government commitment.

- 1 The Financial Officer for each individual recipient local government is required to annually certify that the local government's own source capital spending that year was as much during the year as it would have been without the Gas Tax and Public Transit funds. This certification was made by all local government recipients filing a Gas Tax report for 2006 (note, however, that there is still one report that has not been filed and is past due, and as a result that local government has also not made the required certification in relation to capital spending).

17 Year End Reporting: Communications

During the reporting period, a number of communications activities were undertaken to raise awareness among the general public of the GTA and PTA funding. In addition, UBCM undertook various recipient communications and support activities.

City of Kamloops – BC Transit



(l-r): Terry Monteleone TRU Student Union President; Steve New, Senior Vice President, BC Transit; MP Betty Hinton; Honourable Claude Richmond; Honourable Kevin Falcon; Mayor Terry Lake and MLA Kevin Kreuger

Location/Date:

Lansdowne Transit Exchange
November 14, 2006

Purpose:

To celebrate the opening of the Lansdowne Transit Exchange which received \$724,384 of Public Transit funding.

Metro Vancouver – TransLink



Honourable Lawrence Cannon,
Minister of Transport, Infrastructure and
Communities speaks with local media.

Location/Date:

Vancouver Transit Centre
October 10, 2006

Purpose:

To celebrate the purchase of 225 buses for fleet expansion and replacement with \$73.6 million from the Gas Tax fund.

Victoria Regional Transit Commission/BC Transit



(l-r): Mayor Amos, Honourable Ida Chong, UBCM President Brenda Binnie and Honourable Gary Lunn

Location/Date:

Victoria, BC Transit Yard;
February 23, 2007

Purpose:

To announce \$5.2 million in funding from the Public Transit fund for the Greater Victoria Douglas Street Busway.



Communiqués to local governments were distributed throughout the reporting period to provide technical updates, including implementation decisions made by the Partnership Committee. Communications with recipients also included support for implementation of the communications protocol with regard to local communications products, such as signs and newsletters.

Year End Reporting: Funds Received and Disbursed by UBCM and Recipients

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SCHEDULE OF RECEIPTS AND DISBURSEMENTS (GTA, SCHEDULE E; PTA, SCHEDULE D)

	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	April 1, 2006 to March 31, 2007	Cumulative Date of Signing to March 31, 2007	April 1, 2006 to March 31, 2007	Cumulative Date of Signing to March 31, 2007
UBCM				
Opening Balance of unspent funding	17,090,431	0	0	0
Received from Canada	76,272,000	152,544,000	52,543,010	52,543,010
Interest and other investment income	1,224,313	1,947,001	1,286,499	1,286,499
Sub-Total (total available for spending)	94,586,744	154,491,001	53,829,509	53,829,509
Transferred to Eligible Recipients	60,300,490	120,078,173	46,209,227	46,209,227
Spent on Administration Costs	310,657	437,231	34,519	34,519
Sub-Total (total spending)	60,611,147	120,515,404	46,243,746	46,243,746
Closing Balance of unspent funding	33,975,597	33,975,597	7,585,763	7,585,763
Eligible Recipients in Aggregate				
	GAS TAX AGREEMENT		PUBLIC TRANSIT AGREEMENT	
	January 1 to December 31, 2006	Cumulative Date of Signing to December 31, 2006	January 1 to December 31, 2006	Cumulative Date of Signing to December 31, 2006
Opening balance of unspent funding*	16,923,964	0	0	0
Received from UBCM	101,613,830	120,019,734	41,055,972	41,055,972
Interest and other investment income	2,460,519	2,476,061	156,093	156,093
Sub-Total (total available for spending)	120,998,313	122,495,795	41,212,065	41,212,065
Spent on Eligible Projects	43,093,004	44,589,661	36,806,619	36,806,619
Spent on Administration Costs	39,210	40,035	0	0
Sub-Total (total spending)	43,132,214	44,629,696	36,806,619	36,806,619
Closing Balance of unspent funding	77,866,099	77,866,099	4,405,446	4,405,446

* See page Addendum 1 - 2

The above tables set out receipts and disbursements of Gas Tax and Public Transit Funds for the reporting period and cumulatively for both UBCM and recipients, in the aggregate. It should be noted that UBCM is required under the agreements to report on the bases of a year ending March 31, but that the recipient reporting date ends December 31, which is the fiscal year end for all local governments and TransLink. This can result in UBCM reporting a different amount as transferred to recipients than those recipients report receiving. Included in UBCM's transfers is a Public Transit Agreement payment made by UBCM to BC Transit in the amount of \$5,153,255. Since this payment was made in January 2007, it is not included in the amounts received by recipients by December 31. Similarly, a Gas Tax payment in the amount of \$58,426 made in January 2007 is included in UBCM's transfers, but not in amounts received by recipients.

UBCM strives for efficient, effective administrative processes, which maximize funding going into the programs and dollars going into communities.

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The templates highlight the distribution of funds by UBCM and use of funds by recipients, (which are discussed elsewhere in this report,) but also sets out the interest earned on invested funds and the costs of administration of the programs. UBCM's costs to administer the funds are well within the approved business case estimates. Administration costs were estimated for the period April 1, 2006 to September 30, 2007 at \$900,000, which could be pro-rated to \$600,000 for the reporting period. Actual administration costs during the period are only \$345,176, or 57.5% of the amounts approved in the business case.

Of potentially greater significance, however, is the excess of investment income over the costs of administration. The amount of interest and other investment income earned by UBCM and recipients (\$3.2 million and \$2.6 million respectively) is significantly in excess of administration costs (\$471,750 for UBCM and just over \$40,000 for recipients). The difference represents an accumulation of about \$5.4 million that may be used towards additional projects in the future.

Year End Reporting: Recipient Compliance and Reporting

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5, 8,
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The Financial Officer for each individual recipient is required to certify that to the best of their knowledge the Annual Report is complete and accurate and that the Local Government has complied with all material provisions of its funding agreement and that certification also highlighted a number of specific provisions (e.g., funds must be spent on eligible costs of eligible projects, contract must be awarded in a manner that is transparent, competitive and consistent with value for money principles, the local government's financial statements were prepared following accounting rules of the Public Sector Accounting Board).

3, 8

UBCM relies on these certifications as part of its responsibility to enforce the terms and conditions of a funding agreement, and as such, withholds further payments to recipients if either the Annual Report is required but not filed or if the Annual Report is filed without the Financial Officer certification.

There were 134 local governments that were required to file a report and provide a certification by July 1, 2006. Of these, 121 had provided the required documentation in sufficient time that their first fiscal 2006/07 payment was delivered on time. However, UBCM delayed payments for the remaining 13 recipients until either the report and certification were filed and/or reporting deficiencies were corrected. Funding was released to these local governments as soon as possible after the deficiencies were corrected, with 5 being paid in early August, 7 in early September, and only 1 being delayed until January, 2007. This latter payment included both instalments for fiscal 2006/07, because the local government did not file its report until December 2006, which caused a need to delay the payment which would otherwise have been due in November 2006.

3, 8

99.25% of recipients have filed Gas Tax Reports and Financial Officer Certificates.

This year, 163 recipients were required to report under either or both of the Gas Tax Agreement or the Public Transit Agreement. To date, 162 have filed a sufficient report, including the required Financial Officer certification. All financial and project information in this Annual Expenditure Report is based on the 162 reports that have been filed to date (aggregate financial information is presented on page 43 in the "Year End Reporting: Funds Received and Disbursed by UBCM and Recipients" section; and aggregate project information is presented starting on page 26 in the "Projects Funded This Year: Gas Tax Agreement" section). Of the 162 recipients filing reports for 2006, 132 were filed in time that payments due in July 2007 were not delayed. The remaining 30 were paid in the August and September period as reports were submitted or deficiencies addressed. One payment remains outstanding as the report has not yet been received.

3, 8

UBCM has also consulted with our Provincial Government partners with respect to recipient local government obligations to prepare financial statements in accordance with Public Sector Accounting Board (PSAB) rules, since the Province annually receives local government financial statements and reviews these for PSAB compliance. The Province advises that the majority of local government financial statements are completely PSAB compliant and that the remainder are materially compliant with PSAB. In addition, the Province is working with the Government Financial Officers Association and the Canadian Institute of Chartered Accountants to help ensure a smooth transition to the new PSAB tangible capital asset rules.

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The Province also annually receives a 5-year Financial Plan from local governments and has advised UBCM that a financial plan is on file for each local government. These plans are statutorily required for all local governments, under section 165 of the *Community Charter* for municipalities and section 814 of the *Local Government Act* for regional districts. The plans are equivalent to the Capital Investment Plans required under the Gas Tax Agreement, because the required content includes setting out amounts needed for capital purposes, and since the process requirements include public consultation prior to adoption by the elected Council or Board. Therefore, every local government has, by preparing a financial plan, also met its requirement to prepare a Capital Investment Plan.

All local governments are materially PSAB compliant and all have 5 year financial plans which include capital priorities.

5

Changes to the accountability framework this year saw development of a process to allow for increased reliance on existing financial statement audits as a means to provide assurance on the accuracy of recipient Gas Tax and Public Transit reporting. Local

government audited financial statements are compared to recipient Gas Tax/Public Transit reporting to ensure consistency, and review the audit opinion for the financial statement. This ensures UBCM is notified of any qualified audit opinions which relate to use of Gas Tax or Public Transit funds.

The results relating to comparison of financial statement notes with GTA/PTA reporting were reflective of the fact that this framework enhancement was implemented late in the accounting cycle of local governments. A number of the financial statements did not contain a note specifically referring to Gas Tax and Public Transit funding, because the financial statements had been completed before the local governments were instructed to include a Gas Tax financial statement note. Provincial staff was able to reconcile some or all of the reported figures for many of these jurisdictions with line items in the audited financial statement (e.g., matching the closing balance of unspent funds with the balance remaining in a deferred revenue account in the financial statements), but there were some jurisdictions where this comparison was not possible. It is expected that this is a temporary situation and that comparison for all jurisdictions will be possible for reporting in all subsequent years.

For those jurisdictions in which comparisons could be made, the majority of differences between the financial statement amounts and amounts reported related to timing differences (i.e., payments or expenditures accounted for in a different year than shown in the report, because of reporting on a cash basis and accounting on an accrual basis). The second most common difference was that the financial statements did not specifically indicate interest earned on the Funds, but the Gas Tax report did. There were 10 jurisdictions (6.3% of those required to report), where there were differences between the report and the financial statements not relating to these two issues and, while none are considered to be material errors, UBCM is following up with each individual jurisdiction to discuss the deficiencies and have the local governments take corrective action, if appropriate.

The Province has reported that there are no qualified audit opinions that relate to Gas Tax or Public Transit in any of the audited financial statements that have been received to date. However, 11 local government recipients have not yet filed their audited financial statements for 2006, so audit opinion verification cannot yet be completed for these local governments. UBCM will withhold future Gas Tax and Public Transit funding for these local governments until the Province can verify that there are no qualified audit opinions that relate to Gas Tax or Public Transit funding.

3, 8

The Public Transit Agreement requires recipients to make a Transit Strategy publicly available. The transit strategies applicable to the three transit systems that were subject to a PTA funding agreement this year are available on the web-site of each of the applicable local government transit system partners. Links to each of these transit strategies are:

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- ◆ For the TransLink system:
www.translink.bc.ca/Plans/default.asp
- ◆ For the BC Transit/Kamloops system:
www.kamloops.ca/transportation/plans.shtml
- ◆ For the BC Transit/Victoria Regional Transit Commission system:
www.crd.bc.ca/transportation/travelchoices.htm

Transit strategies are available online for each of the three PTA recipients.

Year End Reporting: UBCM Compliance and Financial Reporting

UBCM's Compliance and Financial Reporting are the subject of the Audit Report. The Audit Report required under Schedule E of the Gas Tax Agreement and Schedule D of the Public Transit Agreement is attached as Appendix 1. Four audit opinions are given, one for each of the GTA and PTA, in relation to the schedule of receipts and disbursements attached to the applicable audit opinion, and one for each of GTA and PTA in relation to UBCM's compliance with evaluation criteria attached to the applicable audit opinion.

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Summary and Looking Ahead

The second year under the Gas Tax Agreement has been a busy one for UBCM, as well as our federal and provincial partners. Much of the work focussed on refining the accountability framework, finalizing program development for the application-based programs and adjudicating applications made under those programs. Much progress has been made (e.g., refining the concepts of incrementality and Integrated Community Sustainability Planning, initiating the first round of applications under General Strategic Priorities Fund and Innovations Fund) and we look forward to more in the future (e.g., determining outcome indicators).

It has been a busy year for recipients of the funding as well. While last year recipients were focussed on signing on to the agreements, the focus this year has shifted to planning for and implementing infrastructure priorities. So, for instance, while 31 local governments reported making decisions to fund 47 eligible projects with their Community Works Fund allocations last year, only 13 had actually initiated the project and expended funds toward it. This has increased ten-fold this year, with Gas Tax funding being expended towards 141 projects in 70 jurisdictions. In addition, recipients have spent considerable effort in preparing applications for the pooled funding programs (with 149 applications submitted) and in beginning to think about ICS Planning in their communities.

A number of events have occurred since the end of the reporting period and details of these events will therefore be reported in next year's report. However, in order to provide context to our work plan for the coming year, summary information on these subsequent events is presented here.

The Management Committee considered a number of approvals under the Regionally Significant Project Program, the General Strategic Priorities Fund and the Innovations Fund during the June to August, 2007 period.

A total of \$38.6 million had been set-aside (or "reserved") for Regionally Significant Projects in the Tier 2 regions. To date, 20 Regionally Significant Projects in six Tier 2 regions have been approved for grant funding totalling \$25.4 million. The remaining \$13.2 million has been retained in an RSP reservation for these regions, pending further development of project proposals.

Approvals totalling \$43 million have been made or are pending for 13 capital projects and 10 capacity building/ICS Planning projects for General Strategic Priorities Fund funding. This represents about 64% of the \$67.3 million available under the General Strategic Priorities Fund. Innovations Fund approvals of \$14.4 million have been made or are pending, and that funding will be used toward 8 capital projects, 17 community assessments and 4 other capacity building/ICS Planning projects. \$17.4 million (or 55% of the original \$31.8 million) remains in the Innovations Fund. We anticipate inviting another round of applications for funding under the General Strategic Priorities Fund and Innovations Fund in late fall, with a late spring deadline for applications.

As we look ahead to next year and beyond, we anticipate our attention will focus on the following areas:

- ◆ Contract management for the projects approved for Regionally Significant Project, General Strategic Priorities and Innovation Fund funding;
- ◆ Preparation of program materials for the next round of General Strategic Priorities Fund and Innovations Fund applications, and adjudication of those applications;
- ◆ Developing a system to measure and report on outcomes, including determining appropriate indicators, supporting recipients as they begin to report on outcomes, and developing a framework for the outcomes report;
- ◆ Continuation of the collaborative approach to managing the Gas Tax and Public Transit Agreements and working with our federal and provincial Partners to take advantage of the synergies between these agreements and complementary programming, so that the outcomes that are achieved through all of these initiatives are greater than the sum of their parts; and
- ◆ Increased communications through funding announcements and news releases to raise public awareness of the benefits provided by Gas Tax and Public Transit funding in local communities. We will also continue to seek opportunities to provide status updates on both agreements with elected officials locally, provincially and federally.

We look forward to the coming years and to reporting on our collective efforts towards reduced greenhouse gas emissions, improved air and water quality, and improved capacity of local governments to plan, build and maintain sustainable communities. We acknowledge the efforts of both our federal and provincial Partners and the individual and collective efforts of recipient local governments in working towards these objectives, as it is only by working together that we can maximize results.

Appendix 1

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2007

AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT

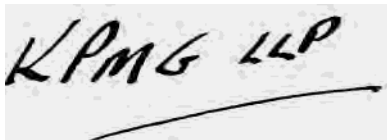
To the Government of Canada and the Province of British Columbia

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 ("Canada") and the Province of British Columbia (the "Province"), for the year ended March 31, 2007. The Annual Expenditure Report is the responsibility of the management of the UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2007, 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Accountants

Burnaby, Canada

August 19, 2007

UNION OF BRITISH COLUMBIA MUNICIPALITIES
Annual Expenditure Report
For the year ended March 31, 2007

Receipts and Disbursements

	Reported to March 31, 2006	Year ended March 31, 2007	Cumulative September 19, 2005 to March 31, 2006
Gas Tax Agreement	\$	\$	\$
Opening Balance of Unspent Funds	-	17,090,431	-
Received from Canada	76,272,000	76,272,000	152,544,000
Interest and other investment income	722,688	1,224,313	1,947,001
Sub-Total (total available for spending)	76,994,688	94,586,744	154,491,001
Transferred to Eligible Recipients	59,777,683	60,300,490	120,078,173
Spent on Administration Costs	126,574	310,657	437,231
Sub-Total (total spending)	59,904,257	60,611,147	120,515,404
Closing Balance of Unspent Funds	17,090,431	33,975,597	33,975,597

Basis of presentation:

The Annual Expenditure Report sets out the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as required by Section 7.2.1 of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005, among the UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2007.

Approved by:



August 13, 2007

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2007



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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, 2007 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, 2007, 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 19, 2007

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, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
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 Fund 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 March 31, 2007 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 the disbursing any funds to Eligible Recipients for the next reporting period.</p> <p>Approved agreements include Schedule C of the Gas Tax Agreement that includes a statement that in the event of default, UBCM may reduce, suspend or terminate any further payment.</p>

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2007

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> <p style="margin-left: 40px;">2005/2006 \$25,000 2006/2007 \$25,000 2007/2008 \$31,583 2008/2009 \$38,478 2009/2010 \$50,000</p>	<p>The aggregate amount of the Community Works Fund funding “floor” amounts are deducted from amounts otherwise available to those tiers that are eligible to receive the funding floor prior to calculation of the per capita amounts for those tiers.</p> <p>The percentage distribution between the Community Works Fund and the Strategic Priorities Fund, set out in Table 1 in Section 6.3, applies only to per capita amounts that are derived after taking the floor amounts into consideration.</p>	<p>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 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.</p> <p>Of the designated funds allocated to Tier 3, no more than 25% has been allocated to the Community Works Fund and no less than 75% has been allocated to the Strategic Priorities Fund.</p> <p>Funding available to Tier 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is based on the amount of Canada’s contribution remaining after deducting the amount allocated for the Innovations Fund and the amount available to the Tier 3 local governments for Community</p>

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, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
			<p>Works Fund and Strategic Priorities Fund.</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"> (a) Each designated recipient has received at minimum the Community Works Fund funding “floor” allocation of \$25,000 for the period ended March 31, 2007, (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 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.

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, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
			Approved Community Works Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.
6.4	<p>A Strategic Priorities Fund will provide funding for strategic investments that are larger in scale or regional in impact. This fund will be created by pooling a percentage of the per capita allocation (see Table 1 for percentages).</p> <p>All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors has requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.</p> <p>The trigger for funding under the Strategic Priorities Fund is a successful application and a Strategic Priorities Fund agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.</p>	<p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p>	<p>The Partnership Committee has approved the request by the GVRD Board of Directors that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund.</p> <p>The Management Committee has approved an application for funding under the Strategic Priorities Fund prior to the execution of a Strategic Priorities Fund Funding Agreement.</p> <p>Approved Strategic Priorities Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
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 greenhouse 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 meeting minutes.</p> <p>The allocation to the Innovations Fund is not more than 5% of the total New Deal allocation.</p> <p>The Management Committee has approved an application for funding under the Innovations Fund prior to the execution of an Innovations Fund Funding Agreement.</p> <p>Approved Innovations Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>
6.6.1	<p>UBCM agrees that it shall record Canada’s contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement.</p>	<p>This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account.</p>	<p>The UBCM maintains separate and distinct accounting records for the receipt and disbursement of funds received under the Agreement.</p>

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
6.6.2	To support the achievement of environmentally sustainable outcomes, the Parties agree that Funds will be paid to Eligible Recipients solely for Eligible Projects identified in Schedule A, and solely in respect of Eligible Costs identified in Schedule B.	Management is not required to review, audit or otherwise verify that the use of the funds by the Eligible Recipients are consistent with those Eligible Projects and Costs identified in Schedules A and B of the Agreement.	Approved agreements have been signed by the designated recipients which confirm the agreement of the designated recipient that the Funds will be used for the Eligible Projects and Costs identified in Schedules A and B of the Agreement.
6.6.3	All administration costs of UBCM in respect of the implementation and management of this Agreement shall be for the account of UBCM, provided that Funds (both principal and interest) may be used by UBCM to pay the administrative costs incurred by UBCM in the delivery of the Funds, or in fulfilling the reporting and audit requirements set out below in Section 7, provided the UBCM develop and submit, in advance, for review by the Partnership Committee and acceptance by the federal Minister, a business case justifying such use of Funds.	<p>The business case represents the combined administration costs of the Gas Tax Agreement and the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 (the “Public Transit Agreement”).</p> <p>Costs of UBCM directly relating to the implementation, management and administration of the Gas Tax Agreement and the Public Transit Agreement are recorded in aggregate and allocated 90% and 10%, respectively to the funds, representing management’s estimate of the allocation of administration costs.</p>	<p>The Partnership Committee has reviewed the UBCM combined Gas Tax Agreement and Public Transit Agreement business case for the period ended September 30, 2007 as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of the UBCM Business Case for the period ended September 30, 2007 by the federal Minister of Transport, Infrastructure and Communities is evidenced in written communication.</p> <p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p> <p>The amounts allocated to the combined funds by UBCM have not exceeded the total amount set out in the UBCM business case for the period ended September 30, 2007 as at March 31, 2007.</p>

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2007

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
			The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10% respectively in accordance with management’s interpretation.

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2007

AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT

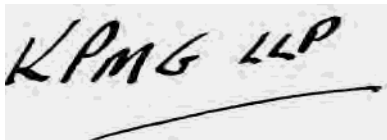
To the Government of Canada and the Province of British Columbia

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 8.2.1 of the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 (the "Agreement"), among the UBCM, the Government of Canada ("Canada") and the Province of British Columbia (the "Province"), for the year ended March 31, 2007. The Annual Expenditure Report is the responsibility of the management of the UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2007, presents fairly, in all material respects, the receipts and disbursements of the UBCM in accordance with Section 8.2.1 of the Agreement.

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

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Accountants

Burnaby, Canada

August 19, 2007

UNION OF BRITISH COLUMBIA MUNICIPALITIES
Annual Expenditure Report
For the year ended March 31, 2007

Receipts and Disbursements

	Year Ended March 31, 2007	Cumulative March 31, 2006 to March 31, 2007
Public Transit Agreement	\$	\$
Opening Balance of Unspent Funds	-	-
Received from Canada	52,543,008	52,543,008
Interest and other investment income	1,286,499	1,286,499
Sub-Total (total available for spending)	53,829,507	53,829,507
Transferred to Eligible Recipients	46,209,227	46,209,227
Spent on Administration Costs	34,517	34,517
Sub-Total (total spending)	46,243,744	46,243,744
Closing Balance of Unspent Funds	7,585,763	7,585,763

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, among the UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2007.

Approved by:



August 13, 2007

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2007



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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, 2007 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 (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, 2007, 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 19, 2007

**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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
4.3(a)	UBCM will sign a Funding Agreement with each Eligible Recipient prior to the transfer of Funds from the 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 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, 2007.
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>No funds have been disbursed under Section 7.1(a).</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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
	that fund made by UBCM after consultation with British Columbia; and 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.	The allocation of remainder of the funds (excluding those identified in 7.1(a)) has been disbursed to approved Eligible Recipients in accordance with the table in Section 7.1(b) of the Public Transit Agreement. Sections 7.1(c) and (d) are not applicable as at March 31, 2007.
	(b) 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.		
	(c) The UBCM agrees that if Funds advanced by the UBCM to an Eligible Recipient are not paid by the Eligible Recipient in respect of Eligible Costs by March 31, 2010, the 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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
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 the 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 that 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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
	<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, the 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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
	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 Schedule A and B respectively of the Agreement. Approval is evidenced by a signed contract.	<p>Approved Funding Agreements 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 (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 the UBCM combined Public Transit Agreement and Gas Tax Agreement business case for the period ended September 30, 2007, and the proposed administration costs, as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of the UBCM Business Case for the period ended September 30, 2007 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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
			<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 amounts allocated to the combined funds by UBCM have not exceeded the total amount set out in the UBCM business case for the period ended September 30, 2007 as at March 31, 2007.</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, 2007**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes
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> <ul style="list-style-type: none"> (a) an approved Funding Agreement signed by the designated recipient and UBCM, and (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>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>

Appendix 2

Index to statements of progress towards UBCM's commitments under the Gas Tax and Public Transit Agreements

Footnote Number	Commitment, with Gas Tax and/or Public Transit Agreement references noted in brackets following commitment statement
1	Ensure, through a Funding Agreement signed between the UBCM and the Eligible Recipient, that the Funds will result in net incremental spending on Municipal or Public Transit Infrastructure and that there will be no claw back of existing infrastructure spending by Local Governments. [GTA s.3.3.2(i); PTA s.4.3(b)(a)]
2	Allocate Funds to Eligible Recipients in accordance with the terms and conditions of this Agreement. [GTA s.3.3.2(ii)]
3	Enforce all terms and conditions of the Funding Agreement in a diligent and timely manner, and seek remedies from non-compliant Eligible Recipients. [GTA s.3.3.2(iii)]
4	Over the life of the Agreement support Integrated Community Sustainability Planning by Local Governments or at some higher level of agglomeration. [GTA s.3.3.2(iv)]
5	Ensure, through a Funding Agreement signed between the UBCM and a Local Government, that each local government prepare a Capital Investment Plan in accordance with the <i>Community Charter</i> and <i>Local Government Act</i> . [GTA s.3.3.2(v)]
6	Promote Local Government cross-jurisdictional initiatives and local government-First Nations collaborations. [GTA s.3.3.2(vi);
7	Fulfill its obligations and responsibilities under this Agreement, which include but are not limited to: <ul style="list-style-type: none"> ◆ accepting the transfer of gas tax funds from Canada. ◆ playing a leadership role in the implementation of the Agreement, including but not limited to the administration of the Community Works Fund, the Strategic Priorities Fund and the Innovations Fund. ◆ transferring the Funds in a timely manner. [GTA s.3.3.2 (vii)]
8	Sign a funding agreement with Eligible Recipients prior to the transfer of Funds from UBCM. The UBCM will enforce all terms and conditions of these agreements. [GTA s.3.3.2(viii); PTA s.4.3(a)]

9	Monitor progress of Local Government spending decisions through standardized reporting of results, including completion of financial reports for previous years funding, in accordance with generally accepted accounting principles. [GTA s.3.3.2(ix)]
10	Evaluate results and report on achievement of Outcomes to Canada and British Columbia with respect to the preparation of the Annual Expenditure Report, the Outcomes Report and the Audit Report. [GTA s.3.3.2(x)]
11	Ensure, through the Funding Agreement, that if required by Schedule C, the Eligible Recipient completes a Transit Strategy that includes Transportation Demand Management measures, if applicable, and makes it available to the public by November 1, 2006. [PTA s.4.3(b)(b)]
12	Ensure, through the Funding Agreement, that in the case that an Eligible Recipient wishes to utilize Funds for investments to enhance the security of its transit infrastructure, the Eligible Recipient provides evidence to the Partnership Committee that these investments satisfy the applicable conditions and requirements imposed by Transport Canada for such federally funded security projects, including those established under Transport Canada's Passenger Rail and Mass Transit Security Contribution Program. [PTA s.4.3(b)(c)]
13	UBCM agrees that all contracts for the supply of services or materials to Eligible Projects will be awarded in a way that is transparent, competitive, and consistent with value for money principles. [GTA s.5.6; PTA s.6.6]
14	<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>To support the achievement of environmentally sustainable outcomes, the Parties agree that Funds will be paid to Eligible Recipients solely for Eligible Projects.</p> <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 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, 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. [GTA s.6.6 and PTA 7.3]</p>

15	UBCM will prepare and deliver to Canada and British Columbia no later than September 30 of each Fiscal Year, in respect of the prior Fiscal Year, an Annual Expenditure Report, and make its best efforts to provide an interim, unaudited version of the Annual Expenditure Report by June 30 of each Fiscal Year [GTA s.7.1; PTA s.8.1]
16	Annual Expenditure Reports will be accompanied by an Audit Report. [GTA s.7.2.1]
17	The Parties hereby agree to follow the terms of the Communications Protocol set out in Schedule G (GTA) and Schedule F (PTA). [GTA s.10; PTA s.11]

ADDENDUM to the UBCM Gas Tax/Public Transit Annual Expenditure Report for the Period April 1, 2006 to March 31, 2007

Explanatory note for difference between “Closing balance of unspent funding” reported for recipients at December 31, 2005 and “Opening balance of unspent funding” reported for recipients at January 1, 2006 (see page 45: Schedule of Receipts and Disbursements)

The opening balance of unspent funds for Eligible Recipients in this year’s report (i.e., as at January 1, 2006) does not match the closing balance of unspent funds for Eligible Recipients reported last year (i.e., as at December 31, 2005) because of a change in reporting methodology between the two years and a need to restate prior year figures to conform to the new reporting methodology.

The auditor providing the audit report last year was of the view that the Gas Tax Agreement required reporting on a cash basis and consequently, the Schedule of Receipts and Disbursements last year was prepared in accordance with that view. This meant that funding distributed by UBCM prior to the end of the year but not physically received by the recipient until the following year could not be reported by recipients as having been received. Similarly eligible expenses for projects incurred during the year could not be reported as spending on eligible projects unless the payment for the expense was made prior to year-end. This method of reporting is inconsistent with the accrual basis that PSAB requires for the recipient’s financial statement presentation.

In 2007, reporting requirements and expectations were clarified by Infrastructure Canada, and all signatories were asked to report Gas Tax Funds on an accrual basis. The new method of reporting enhances transparency because it allows for comparison between a recipient’s Gas Tax report and its audited financial statements since they are now prepared on the same basis. However, in order to facilitate this comparison, the prior year Gas Tax reporting needed to be restated to take accruals into account. The vast majority of these changes were in relation to funding distributed by UBCM prior to the end of 2005, but not received by the recipient until 2006 (14 jurisdictions; \$1.88 million) and project expenses incurred during 2005, but not paid for until 2006 (9 projects in 4 jurisdictions; \$.9 million). This restatement changed the “Closing Balance of Unspent Funds” at December 31, 2005 to \$16,923,962, which is the amount reported this year as the “Opening balance of unspent funding” for recipients. A full listing of the restatements is presented in the following table.

Restatement of Recipient Gas Tax Reporting for Period Ended December 31, 2005 From a Cash Basis to an Accrual Basis

	Opening Balance of Unspent Funds	Received from UBCM	Interest Income	Spent on Eligible Projects	Spent on Admin Costs	Closing Balance of Unspent Funds
2005 Recipient Reporting	0	16,525,025	11,791	623,301	1,374	15,912,141
Restatement of Amounts Received from UBCM:						0
100 Mile House		45,947				45,947
Chilliwack		553,631				553,631
Clinton		32,699				32,699
Duncan		62,313				62,313
Golden		75,248				75,248
Kootenay Boundary		150,062				150,062
Lake Country		102,093				102,093
Metchosin		65,385				65,385
Mission		285,221				285,221
Powell River		106,536				106,536
Salmon Arm		214,202				214,202
Sicamous		59,632				59,632
Telkwa		41,282				41,282
View Royal		86,627				86,627
Sub-Total (amounts received changes)		1,880,878				1,880,878
Restatement of Project Spending:						0
Chilliwack; Traffic Management				10,000		(10,000)
Chilliwack; Transportation Plan				120,000		(120,000)
Chilliwack; Young Rd Cycling Lanes				130,000		(130,000)
Chilliwack; UV Disinfection System, Sewer Plant				290,000		(290,000)
Oliver; Pedestrian Bridge				58,453		(58,453)
Princeton; TransCanada Trail				5,306		(5,306)
Princeton; Groundwater Management				5,383		(5,383)
Princeton; Brown Bridge Revitalization				40,012		(40,012)
Salmon Arm, Geothermal for City Hall				214,202		(214,202)
Sub-Total (project spending changes)				873,356		(873,356)
Restatement of Interest and Admin Costs:						
Enderby			(3)		(3)	0
Lytton			(35)			(35)
Sunshine Coast			(546)		(546)	0
Parksville			4,334			4,334
Sub-Total (interest and admin changes)			3,750		(549)	4,299
2005 Recipient Reporting as Restated	0	18,405,903	15,541	1,496,657	825	16,923,962



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