

Gas Tax & Public Transit Agreements in BC



ANNUAL EXPENDITURE REPORT

2008 - 2009

This Annual Expenditure Report and Audit Report for the period April 1, 2008 to March 31, 2009 is made pursuant to the Canada - British Columbia - UBCM Agreement on the transfer of Federal Gas Tax Revenue (Gas Tax Agreement) and the Agreement of Transfer of Public Transit Funds (Public Transit Agreement).

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EXECUTIVE SUMMARY

During the 2008 – 2009 reporting period, the programs delivered through the Gas Tax Agreement (GTA) and Public Transit Agreement (PTA) made significant advances to achieve the intended outcomes of both programs. Together, the programs funded 262 new infrastructure projects over the past year that will lead to cleaner water, cleaner air or reduced greenhouse gas emissions. In addition, these projects will provide many other tangible benefits to improve the health, safety, mobility, and accessibility of BC communities. In the current economic climate the stimulus provided to local economies through these projects is of particular importance.



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Program Efficiency

During the reporting period, UBCM transferred or committed \$162.7 million in funding through both programs. This amount exceeds the amount of funding received from Canada during the period, since it includes \$46.3 million in pooled funding which is provided to recipients on a claims basis. These numbers demonstrate the efficiency of these programs in delivering funding to communities to create jobs and boost local economies.



Program Advancement

Over the past year we have seen exponential growth in number of projects started and completed through the Gas Tax program. There are 246 new projects underway, an increase of 40.5% over the previous year. In addition, 186 projects were completed in the past year, an increase of 53.7% over the prior year. The momentum in the program underscores the benefits of the long-term, stable and predictable funding provided through the GTA, which allows communities to plan and implement infrastructure projects with confidence.

In addition, as of March 31, 2009, UBCM has also distributed \$50.3 million of \$52.5 million received through the Public Transit Fund - a distribution rate of 95.8%.



Delivering Results

Once again, the GTA and PTA played a significant role in helping British Columbia to achieve its Climate Action goals, with over 81% of the current year spending contributing to a reduction of greenhouse gas emissions.

Communicating Benefits to Communities

Since the launch of the GTA, joint communications have reached media in more than 85% of the province, with multiple events in the major population centers, building public awareness of the programs and their benefits.

Low-Cost Delivery

UBCM takes pride in efficient program delivery, with administration costs of 0.43% on funding distributed this year.

PROJECT REPORT

Introduction

The Gas Tax and Public Transit Agreements are tri-partied funding agreements between Canada, British Columbia, and UBCM. Through these agreements, federal funds are delivered to local governments and to other eligible recipients for environmentally sustainable infrastructure and capacity building projects.

The Public Transit Agreement, signed on March 31, 2006 allocated \$51 million to existing public transit systems and their local government partners for spending on a range of projects that contribute to reduced greenhouse gas emissions. Eligible projects include transit

Funding under the GTA is for eligible public transit, community energy, water, wastewater, solid waste and capacity building projects. Eligible capital projects must lead to reduced greenhouse gas emissions, cleaner air or cleaner water.

The GTA organizes all jurisdictions into three tiers, depending on the degree of urbanization of the region (see Figure 1). This allows for a greater inter-jurisdictional approach in more urbanized areas, while also providing funding for local priorities.

The funding mechanism under the Gas Tax Agreement consists of three funding streams (Innovations Fund, Community Works Fund, and Strategic Priorities Fund) that are further divided into allocations for capital and integrated community sustainability planning projects,

system improvements, roadwork that reduces car dependency, innovative transit technology and commuter pathway construction. Funds were allocated based on a funding floor plus an amount corresponding to each system's proportionate share of the total public transit ridership in BC. An additional \$1.5 million was allocated to support additional public transit infrastructure in communities without existing public transit service.

The original Gas Tax Agreement, signed on September 19, 2005, consisted of a \$635.6 million contribution to be delivered in BC for a five-year period through to March 31, 2010. An extension agreement signed on March 17, 2008 will provide for just over \$1 billion to be delivered to BC communities for a further four years up until March 31, 2014.

and regionally significant projects for Tier 2 regions. Figure 2 provides a program summary with estimated program dollars to be delivered up to March 31, 2010.

UBCM has a key role in administering the funding and has a responsibility to report out on the use of funds in aggregate through the Annual Expenditure Report (AER). This reporting period of March 31/2008 to April 1/2009 represents the fourth AER from the UBCM Gas Tax / Public Transit Management Services Secretariat.

The remainder of the report covers projects funded during the reporting period, project highlights, financial and compliance reporting, and a look ahead to the forthcoming year.

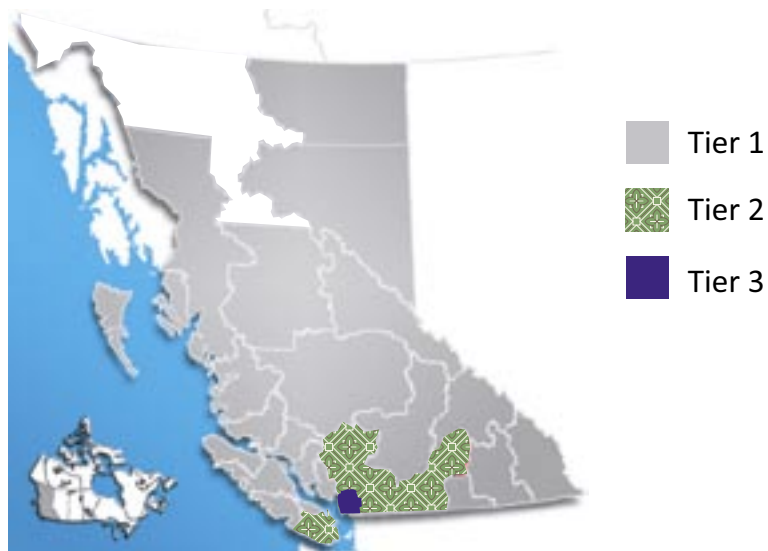


Figure 1: Regional Districts in each Tier

Table 1: Community Tier Breakdown

| Community Tier | Jurisdictions |
|----------------|--|
| Tier 1 | All areas of British Columbia except the Stikine and those areas in Tiers 2 and 3 |
| Tier 2 | Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish Lillooet Regional District and their member municipalities. |
| Tier 3 | Greater Vancouver Regional District and its member municipalities |

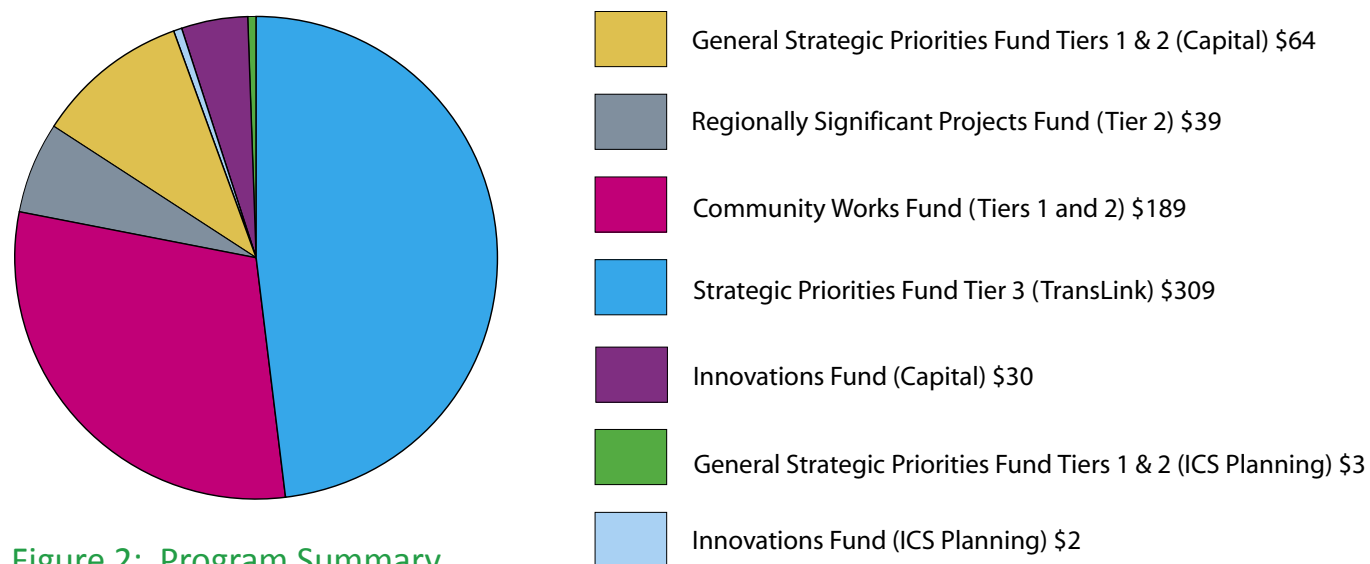


Figure 2: Program Summary

(all figures are estimated program dollars in millions)

Projects Funded – Public Transit Agreement

Compared to the previous reporting period, the Public Transit Agreement program saw a substantial increase in activity, with 36 new agreements signed with BC Transit and local government partners. Table 2 shows a comparison of the number of projects completed by year, and those that are ongoing.

These projects represented around \$365,000 in spending during the reporting period. Previous year spending on system expansions represented \$1.34 million, for a total PTA spending on the project of approximately \$1.46 million.

In addition, fourteen recipients reported spending this year in projects that are ongoing. Smaller projects range from a pedestrian bridge, waterfront trail, bus shelters, bike lanes, to a transit exchange. The largest project is Translink's order for 34 Mark II SkyTrain cars which will increase capacity by approximately 30 per cent when they are all in service. They feature a re-configured floor plan, allowing for more space for standing passengers, wheelchairs and other mobility devices, and bicycles. The first of Mark II cars were delivered and put into service during the reporting period.

Six projects were completed last year as follows:

- 20 mini bus vehicles for system expansion in 12 municipalities and regional districts
- Downtown transit exchange in Cranbrook
- 11 covered bus shelters and 3 bike racks for buses in Williams Lake
- 20 refurbished bus shelters in Kitimat
- New walkways in Terrace
- 3 biodiesel fuel efficient vehicles for the Regional District of Nanaimo



Table 2: Number of Projects Completed by Year, Public Transit Agreement

| | Completed in 2007 | Completed in 2008 | Ongoing | Total |
|---------------------------------|-------------------|-------------------|-----------|-----------|
| First reported spending in 2006 | 1 | | 2 | 3 |
| First reported spending in 2007 | | 1 | 1 | 2 |
| First reported spending in 2008 | | 5 | 11 | 16 |
| Total | 1 | 6 | 14 | 21 |

Financial Summary for All Public Transit Agreement Projects Reported

| | |
|--|----------------------|
| Prior year PTA funding | \$43,057,754 |
| 2008 PTA funding | \$1,081,092 |
| Estimated future year PTA funding | \$331,798 |
| Total estimated PTA funding | \$44,470,644 |
| Estimated funding from all other sources | \$115,077,041 |
| Total estimated project costs | \$159,547,685 |



Projects Funded - Gas Tax Agreement

Table 3 outlines all projects reporting Gas Tax spending in each year between 2005 and 2008, and indicates the year in which they first reported spending and the year in which they were completed.

This table emphasizes the multi-year nature of infrastructure investment and how long-term, stable funding is a benefit to local governments. Many projects were completed in one year (just under 60%), however there are a significant number that are still in progress. Similar to the prior year, this is most likely due to the emphasis placed on capacity building, integrated community sustainability planning and community energy projects by recipients, which are more straightforward to implement in one year, and represent about 40% of

Funding under the Regionally Significant Projects, General Strategic Priorities Fund, and Innovations Fund are made available on a claim basis, after recipients have incurred eligible costs. The second round of funding approvals occurred in the fall of 2008, completing the commitment of \$130 million towards 128 projects for the first five years of spending of the GTA.

Spending in 2008 on approved projects from the application-based pooled fund was limited to 11 RSP projects (\$11.3 million) and 17 GSPF/IF projects (\$5.4 million). It is anticipated that a significant increase in project spending will be seen in the next fiscal year. The UBCM website contains a list of allocations to recipients as well as a list of all pooled funding approvals.

projects reported or approved.

A total of 581 projects have been reported to date and the Gas Tax spending in 2008 was \$77.4 million. This represents spending of \$39.7 million by TransLink and \$37.7 by all other eligible recipients. For recipients other than TransLink, the 2008 spending is more than double the prior year spending of \$17 million. This reflects a similar rate of growth from last year.

The Community Works Fund allocation to recipients for 2008/09 was \$37 million, while the reported CWF spending was \$23 million. In 2007/08, the CWF allocation was \$31 million, with reported CWF spending of \$16.5 million. This represents a 9% increase in the spending rate.

Table 4 lays out a summary of the number of projects, by project category, for all Gas Tax projects reported by recipients or approved for funding under the pooled funding programs. Figure 3 graphically represents the percentage of projects in each of these project categories. The top four project categories were capacity building, community energy, water, and wastewater.

Table 3: Number of Projects Completed by Year, Gas Tax Agreement

| | Completed in 2005 | Completed in 2006 | Completed in 2007 | Completed in 2008 | Ongoing | Total |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|------------|------------|
| First reported spending in 2005 | 13 | 3 | 3 | 1 | 2 | 22 |
| First reported spending in 2006 | | 71 | 21 | 17 | 29 | 138 |
| First reported spending in 2007 | | | 97 | 35 | 43 | 175 |
| First reported spending in 2008 | | | | 133 | 113 | 246 |
| Total | 13 | 74 | 121 | 186 | 187 | 581 |

Table 5 sets out the total anticipated Gas Tax funding expected to be used towards all projects reported by recipients or approved for funding the pooled funding programs, by project category, along with the total estimated funding from other sources and total estimated costs for these projects. Figure 4 depicts this graphically. Transit continues to be the project category in which the largest proportion of Gas Tax funding is invested. This is due to the TransLink allocation that represents such a large percentage of the overall Gas Tax spending. Water and wastewater infrastructure projects represent the next largest share in spending.



Table 4: Number of Projects Reported by Recipient or Approved for Funding by Project Category

| | Community Works Fund (Tier 1 and 2) | Tier 3 Strategic Priorities Fund (TransLink) | Regionally Significant Projects (Tier 2) | General Strategic Priorities Fund (Tier 1 and 2) | Innovations Fund (All Tiers) | Total Number of projects reported or approved (%) |
|---------------------------------------|-------------------------------------|--|--|--|------------------------------|---|
| Capacity Building | 96 | | 11 | 18 | 26 | 151 (22%) |
| Community Energy | 109 | | 8 | 3 | 4 | 124 (18%) |
| Water | 107 | | 2 | 6 | 2 | 117 (17%) |
| Wastewater | 78 | | 4 | 8 | 6 | 96 (14%) |
| Cycling and Pedestrian Infrastructure | 83 | | 7 | 1 | 1 | 92 (13%) |
| Road and Bridge | 41 | | | | | 41 (6%) |
| Public Transit | 18 | 9 | 9 | 1 | | 37 (5%) |
| Solid Waste | 21 | | 7 | 3 | 1 | 32 (5%) |
| Total | 553 | 9 | 48 | 40 | 40 | 690 (100%) |

Figure 3: Number of Projects Reported by Recipient or Approved for Funding by Project Category

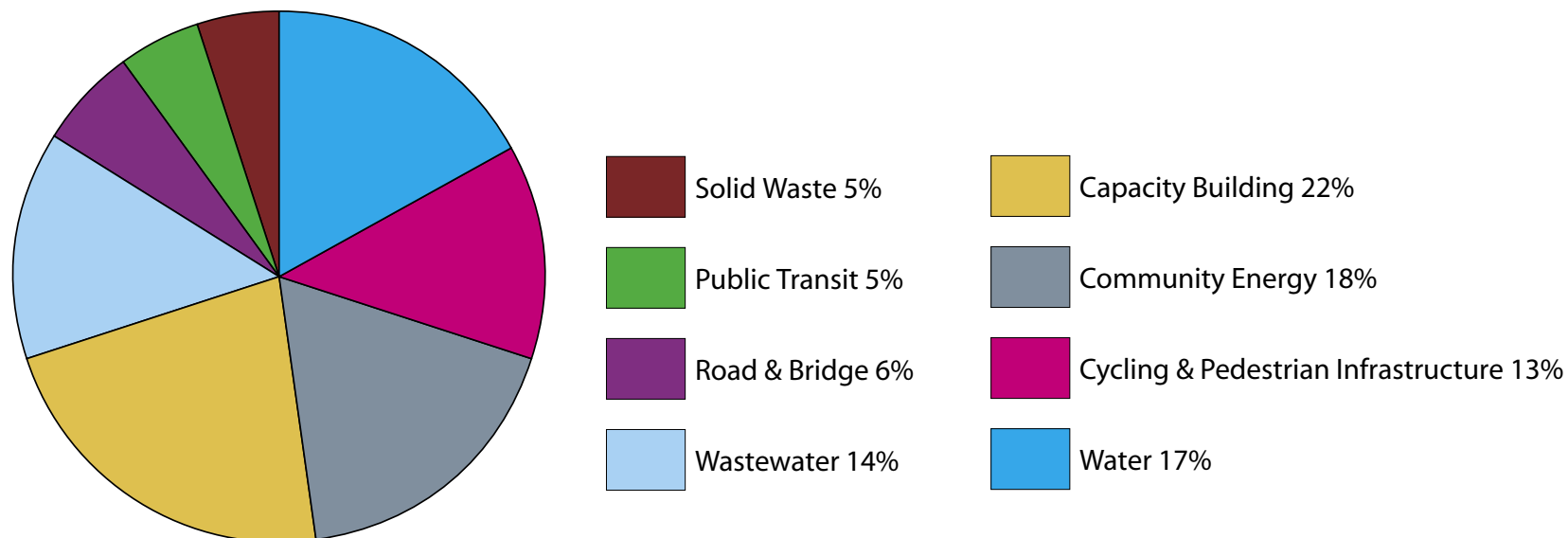
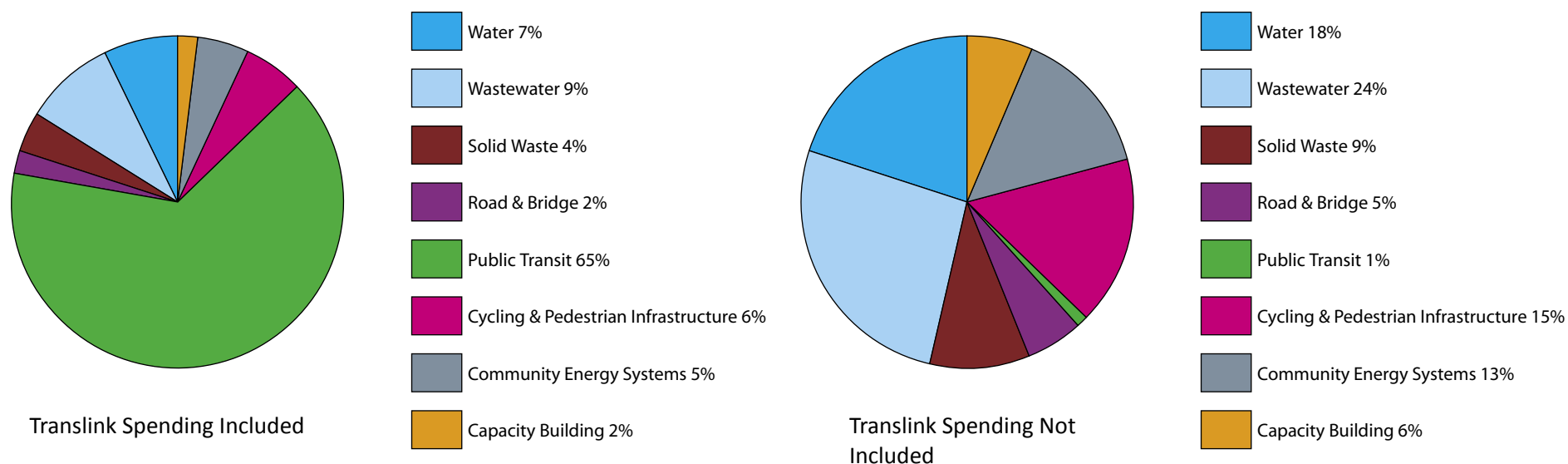


Table 5: Cost of Projects by Project Category

| Project Type for Report | Prior Year GTF | 2008 GTF | Estimated future year GTF | Total est GTF | Total est funding from other sources | Total est project costs |
|-------------------------------------|--------------------|-------------------|---------------------------|--------------------|--------------------------------------|-------------------------|
| Capacity Building | 1,700,596 | 2,581,359 | 6,953,001 | 11,234,965 | 1,607,489 | 12,842,445 |
| Community Energy Systems | 3,425,073 | 5,503,468 | 16,540,217 | 25,468,758 | 30,451,802 | 55,920,560 |
| Cycling & Pedestrian Infrastructure | 5,922,470 | 5,817,654 | 18,884,953 | 30,625,077 | 23,906,139 | 54,531,216 |
| Public Transit | 93,384,805 | 44,384,012 | 196,700,903 | 334,469,720 | 244,917,430 | 579,387,150 |
| Road and Bridge | 4,259,945 | 3,572,249 | 2,166,689 | 9,998,883 | 25,595,170 | 35,594,053 |
| Solid Waste | 2,548,058 | 1,686,531 | 14,580,225 | 18,814,814 | 8,984,644 | 27,799,458 |
| Wastewater | 3,423,313 | 6,684,931 | 38,282,558 | 48,390,801 | 14,063,845 | 62,454,646 |
| Water | 4,737,228 | 7,189,575 | 24,055,803 | 35,982,606 | 34,076,616 | 70,059,222 |
| Total | 119,401,487 | 77,419,779 | 318,164,349 | 514,985,615 | 383,603,135 | 898,588,750 |
| Less TransLink (all transit) | 91,986,568 | 37,693,236 | 182,257,686 | 311,937,490 | 244,055,426 | 555,992,916 |
| Total excluding TransLink | 27,414,919 | 39,726,543 | 135,906,663 | 203,048,125 | 139,547,709 | 342,595,834 |

Figure 4: Total Gas Tax Funding Spent this Year by Project Category



PROJECT HIGHLIGHTS

Public Transit

Expanding Commuter Trails in Quesnel

Safety is one of the most important factors that guide the transportation choices of commuters. Quesnel is using Gas Tax funds to address local safety concerns by constructing an underpass dedicated to cyclists and pedestrians beneath Highway 97 South. The underpass will connect to a 12-kilometre bicycle and pedestrian trail network that leads to the city centre, providing a substantial new active commuting option for residents in South Quesnel.



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Expanding Service in Metro Vancouver

Gas Tax Agreement funding is expanding transit service in Metro Vancouver. Of the 186 new vehicles purchased by TransLink with GTA funds during the reporting period, 112 will increase service frequency to Metro communities. The new vehicles include 34 articulated trolleys, 23 community shuttles and 55 HandyDARTS, each of which will improve accessibility for those with mobility impairments. In addition, the funding from 2008/2009 will also expand TransLink's SeaBus fleet. The newly constructed MV Burrard Pacific Breeze will carry up to 400 passengers and will go into service in time for the 2010 Olympic and Paralympic Winter Games. The addition of the Burrard Pacific Breeze will increase the capacity of TransLink's SeaBus service by 50 per cent.

Improving Service in Cranbrook

Funding through the Public Transit Agreement has upgraded transit systems in more than sixty communities across the province. Many communities that are in the early stages of developing public transit services have used PTA funding to improve rider infrastructure. Cranbrook has used its allocation to build the community's first dedicated transit exchange. The design incorporates saw-tooth cutouts and cut-down curbing to improve accessibility. Shelters and benches have also been added along with landscaping and sidewalk improvements. The result is a new exchange that provides a focal point for Cranbrook's transit system in the downtown.



Upgrading Technology in Langford

One of the ways in which communities can improve the efficiency of transit systems is to give greater priority to buses on local roadways. Langford has used Gas Tax funding to install transit priority signaling over a 4-kilometre section of road to provide express bus service to downtown Victoria. Combined with queue jumping lanes, the priority signals can save up to 50 seconds of travel time per express route, reducing CO2 emissions by 8 tonnes per year.

By providing service that is comparable to travel times in single passenger vehicles, the modal share on Langford's express bus route has increased by 5% annually since the signaling technology was first implemented.

Improving Roads in Creston

The creation of a pedestrian friendly streetscape is a key component in the Town of Creston's plan to revitalize its downtown business area. Creston is using Gas Tax funding to implement two pedestrian improvement projects. The first will improve sidewalks and landscaping in order to encourage shoppers and tourists to walk through the town core. The second project will divert large commercial vehicles away from the downtown onto a secondary route. Not only will the diversion make for a quieter, safer town centre, it will also reduce green house gas emissions by providing a more efficient route through the community.



Community Energy

Developing Alternative Energy Sources in Wells

The Wells-Barkerville Community School is maintained and operated by the District of Wells through an arrangement with School District 28. In order to reduce the emissions produced by the school, Wells used Gas Tax funding to install a geothermal heating and cooling system. The District of Wells anticipates a 65% decrease in its fuel consumption at the facility, representing cost savings of over \$15,000 per year. The project also represents the first step in the development of a community energy system that will eventually distribute heating and cooling to three other municipal buildings adjacent to the school property.



Building Community Energy Systems in Vancouver

Vancouver is using Gas Tax funding to develop a Neighbourhood Energy Utility that will service 16,000 residents in Southeast False Creek. Heat recovered from the sewage system will supply about 70% of the annual thermal energy required for the new neighbourhood. Thermal energy will be captured using a heat exchange process integrated within a new municipal sewage pump station. Heat pumps will transfer thermal energy from the warm sewage supply to a higher temperature range. The thermal energy will then be distributed for residential space heating and domestic hot water heating. Sewage heat recovery has efficiency and cost advantages when compared to typical geo-exchange systems due to higher heat source temperatures and lack of expensive well-field installations.



Upgrading New Construction in Chetwynd

When the District of Chetwynd was designing a new airport terminal, it decided to take advantage of funding allocated under the Gas Tax Agreement to assist the construction of a zero-emission facility. The new building uses a geo-thermal system to provide ambient heating and cooling as well as pre-heating for the hot water system. The building also incorporates high efficiency windows, waterless toilets and low flow fixtures, making it a model of small, sustainable construction.

Water Systems

Improving Treatment in Armstrong

The Fortune Creek Water System provides surface water to more than 5,400 residents in the City of Armstrong and the Township of Spallumcheen. Through Gas Tax funding, Armstrong will construct an Ultra Violet disinfection facility along with an onsite chlorine generation plant for its surface water source at Fortune Creek. The project will also build two chlorine “booster” stations at each of its groundwater wells to help ensure adequate disinfection throughout the distribution system. The new treatment system will also be equipped with SCADA and residual chlorine analyzers. The result of the project is that the water system will be brought into compliance with standards that have been set by the regional health authority.



Expanding Distribution in the Cowichan Valley

The Cowichan Valley Regional District has used Gas Tax funds to construct a new water system at Honeymoon Bay. By developing a groundwater system with a treatment facility, the new system has dramatically decreased turbidity and bacteria. The system has also added a stainless steel reservoir, which will reduce the amount of pumping required by the system and improve fire protection in Honeymoon Bay. By increasing the overall capacity of the system, the new improvement will allow for the future expansion of water service to the community of Sutton Creek.

Storm Water Systems

Improving Treatment in Williams Lake

The Williams Lake river valley runs approximately 12 kilometers between the City of Williams Lake and the Fraser River. Prior to the development of the City's stormwater management plan, stormwater runoff in Williams Lake was collected and discharged into the river without treatment.

Williams Lake used Gas Tax funding to transform two abandoned sanitary sewer lagoons into stormwater detention ponds. The ponds will prevent direct discharge into the Williams Lake River, allowing for the infiltration and evapotranspiration of the stormwater. The

detentions ponds will also filter the stormwater, allowing the City to make controlled discharges in full compliance with the Federal Fisheries Act.



Wastewater Treatment

Expanding Capacity in Sicamous

Faced with a failing septic system in a residential development near the salmon bearing Eagle River, the District of Sicamous used its allocated Gas Tax funds to extend the sanitary sewer main through the installation of new pipe and a lift station. In addition to safeguarding the water quality of the Eagle River, the system's expanded capacity will prepare the way for a new residential development in the community.

Generating Energy in Metro Vancouver

Metro Vancouver's Lulu Island Wastewater Treatment Plant will convert biogas into heat and electricity. The project will incorporate MicroSludge, an award-winning technology developed in British Columbia, to significantly increase the volume of biogas produced from wastewater solids. The biogas can then be converted by co-generation equipment into clean, renewable electricity and heat that can be used at the facility. The MicroSludge project will improve air quality by eliminating the need for biogas flaring and reducing the number of truckloads required for biosolids disposal. All combined, the Lulu Island WWTP may see its greenhouse gas emissions decrease by up to 36 per cent.



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Testing New Technology in Victoria

When groundwater and storm water enter dedicated wastewater systems the result is overloaded sewers and increased treatment costs. Victoria is using Gas Tax funds to test two new technologies to replace aging ceramic pipes in its sanitary sewer system. The first technology incorporates a pipe bursting method to install a new 300mm High Density Poly-Ethylene sanitary sewer main. The second technology uses Cured-in-Place liners to rehabilitate the existing pipe. Both technologies have the benefit of not requiring open cut excavation, providing a reduction in GHG emissions resulting from construction. By minimizing the number of joints in the system, both technologies allow fewer seams for rain or groundwater to enter the system.



Solid Waste Management

Improving Solid Waste Collection in the Cariboo Region

Local Governments have found that introduction of landfill service fees encourages consumer recycling. Cariboo Regional District has used Gas Tax funds to install scales at the regional landfill site in 100 Mile House, allowing for the introduction of tipping fees. Combined with landfill bans on industry stewardship projects, the Regional District anticipates diversion from the landfill to increase by up to 20%.



Capacity Building / ICS Planning

Community Energy Planning in Cowichan Valley

The Cowichan Valley Regional District is using Gas Tax funding to undertake a Regional Community Energy Plan. The program has a number of objectives, including an analysis of new energy resources (such as wind, tidal, run of river and geothermal) and potential partnerships with energy partners. The Energy Plan will also provide guidance for development opportunities, community energy retrofits and local policy development.

Hydrological Mapping in the Okanagan Valley

The Okanagan Water Supply & Demand Project is a multi-year study of the water balance in the Okanagan watershed, involving more than 16 partner agencies, universities, First Nations and stakeholder groups. The project evaluates how actual use and future demand of water by agriculture, the environment, and domestic users can be reconciled with annual precipitation and available storage. Science-based scenarios will calculate how global warming and population growth may change water availability in the future. The project will be completed in December 2009, and will be used for planning and decision making for water sustainability.

FINANCIAL AND COMPLIANCE REPORTING

Table 6 sets out receipts and disbursements of the Gas Tax and Public Transit Funds for the reporting period. The table also provides cumulative data for UBCM and recipients in the aggregate.

Details on the differences between what UBCM transferred to recipients and what they report receiving (arising from different year ends for UBCM and the recipients in question) are referenced in Appendix A.

UBCM has also distributed \$50.3 million of \$52.5 million received through the Public Transit Fund, providing a distribution rate of 95.8%. In recognition of the March 31, 2010 spending deadline for the PTA, UBCM and BC Transit have liaised with recipients to whom the remaining 4.2% of funding had been allocated.

One of the unique benefits of both funds is that they allow both UBCM and recipients to retain interest income from unspent funds. Interest income may be spent on the cost of administering the programs or the implementation of a project. Of the \$18.4 million in interest that has been generated to date, \$1.2 million has been spent on administrative costs, yielding an additional \$17.2 million for capital projects, capacity building projects or future administration costs.

UBCM has distributed \$312.9 million of \$381.4 in Gas Tax funds that it has received to date, a distribution rate of about 82%. These figures, however, do not include pooled funding that has been committed but unspent since these funds are provided to recipients on a claims basis. Taking into account the \$113.3 million remaining commitments under pooled funding programs, the distribution of funds exceeds 100%. Sufficient funds to meet these commitments will be by March 31, 2010.



Table 6: Schedule of Receipts and Disbursements

| | GAS TAX AGREEMENT | | PUBLIC TRANSIT AGREEMENT | |
|---|---------------------------------|---|---------------------------------|---|
| | April 1, 2008 to March 31, 2009 | Cumulative Date of Signing to March 31, 2009 | April 1, 2008 to March 31, 2009 | Cumulative Date of Signing to March 31, 2009 |
| UBCM | | | | |
| Opening Balance of unspent funding | 57,766,315.99 | 0.00 | 7,349,555.65 | 0.00 |
| Received from Canada | 127,120,000.00 | 381,360,000.00 | 0.00 | 52,543,010.00 |
| Interest and other investment income | 2,557,683.29 | 6,994,149.59 | 138,870.03 | 1,796,623.19 |
| Sub-Total (available for spending) | 187,443,999.28 | 388,354,149.59 | 7,488,425.68 | 54,339,633.19 |
| Transferred to Eligible Recipients | 112,884,614.37 ² | 312,890,747.19 | 3,584,644.00 ³ | 50,349,469.00 |
| Spent on Administration Costs | 495,117.99 | 1,399,135.48 | 55,013.11 | 141,395.62 |
| Sub-Total (total Spending) | 113,379,732.36 | 314,289,882.67 | 3,639,657.11 | 50,490,864.62 |
| Closing balance of unspent Funding | 74,064,266.92 | 74,064,266.92 | 3,848,768.57 | 3,848,768.57 |
| Eligible Recipients in Aggregate | | | | |
| | GAS TAX AGREEMENT | | PUBLIC TRANSIT AGREEMENT | |
| | January 1 to December 31, 2008 | Cumulative Date of Signing to December 31, 2008 | January 1 to December 31, 2008 | Cumulative Date of Signing to December 31, 2008 |
| Opening Balance of unspent funding | 85,809,072.32 ¹ | 0.00 | 3,676,772.38 | 0.00 |
| Received from UBCM | 111,241,893.39 ⁴ | 310,863,372.97 | 4,082,611.00 ⁵ | 50,291,838.00 |
| Interest and other investment income | 3,157,142.03 | 8,904,076.69 | 180,706.50 | 721,595.05 |
| Sub-Total (total available for spending) | 200,208,107.74 | 319,767,449.66 | 7,940,089.88 | 51,013,433.05 |
| Spent on Eligible Projects | 77,419,775.12 | 196,821,264.68 | 1,081,092.60 | 44,138,846.77 |
| Spend on Administration Costs | 191,107.10 | 348,959.46 | 4,999.02 | 20,588.02 |
| Sub-Total (total spending) | 77,610,882.22 | 197,170,224.14 | 1,086,091.62 | 44,159,434.79 |
| Closing Balance of Unspent Funding | 122,597,225.52 | 122,597,225.52 | 6,853,998.26 | 6,853,998.26 |

RECIPIENT COMPLIANCE AND REPORTING

The recipient accountability framework relies on three major elements:

1. Recipients file an Annual Report to indicate the funds they received, how the funds were used and details of the eligible projects funded;
2. Financial Officers certify that to the best of their knowledge, the Annual Report is complete and accurate and that the recipient has complied with all material provisions of the funding agreement; and

required certifications, or in the event the recipient's audited financial statements indicate a qualified audit opinion related to the funds. The Province has confirmed 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 filed to date.

Annual Reports and Financial Officer Certification

There were 169 recipients that were required to file an Annual Report and the Financial Officer certification this year. This represents an increase of four recipients over the previous year. This increase is due to the redistribution of local government boundaries.

3. The Province annually reports to UBCM on relevant financial data included in the recipient's audited financial statements to indicate:
 - ◇ Whether the financial statement included a qualified audit opinion in relation to Gas Tax or Public Transit funds;
 - ◇ Whether the recipient complied with rules of the Public Sector Accounting Board; and
 - ◇ The amount of capital spending by recipients from their own sources.

To date, all but 6 recipients have fulfilled the report requirements. Further payments for those recipients are being held pending receipt of this information. In addition, 4 recipients have not yet filed their audited financial statements with the Province; hence, the Province is not yet able to confirm that there were no qualified audit opinions in relation to these jurisdictions. Since UBCM places reliance on the audit opinion in these financial statements, further Gas Tax payments are being withheld for these recipients until such time as the Province is able to confirm that the financial statement audit opinion is not qualified as a result of the Gas Tax or Public Transit funds.

UBCM relies on this accountability framework in relation to its responsibility to enforce the terms and conditions of funding agreements. Based on this information, UBCM withholds further payments to recipients that fail to file an Annual Report or the

PSAB Compliance

The Province has advised that the majority of local government financial statements are in complete compliance with the rule established by the Public Sector Accounting Board, and that the remainder are materially compliant.

Reconciliation of Audited Financial Statements to Annual Reports

For the current reporting period, UBCM reviewed the audited financial statement information of recipients in comparison with the information provided in their Annual Report. Reconciliation of information provided by these two sources provides assurance

that the information in the Annual Report is correct. In instances where the information does not reconcile, UBCM follows up with recipients to clarify the differences, and where necessary, correct any inconsistencies in the Annual Report.

Capital Investment Plans

The Province requires an annual five-year financial plan from every local government in British Columbia. These plans are statutorily required of local governments, and are the equivalent of the Capital Investment Plans required under the Gas Tax Agreement.

Transit Strategies

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

www.busonline.ca/corporate/resources/business_plans.cfm

For transit plans within Metro Vancouver, go to:

www.translink.ca/en/Plans-and-Projects/Area-Transit-Plans/Area-Transit-Plans-Overview.aspx

Incrementality

The determination of incrementality compliance under the Gas Tax Agreement is achieved by comparing the cumulative spending of TransLink, BC Transit and all other recipients collectively over the period from 2006-2010 to thresholds that were established for each group, based on historic spending levels. Table 7 shows that both TransLink and BC Transit have already exceeded their incrementality requirement and that all other recipients of Gas Tax funding are close to achieving this requirement, having spent 90% of the threshold to date.

Table 7: Progress Towards Meeting 5-year Incrementality Commitments

| | TransLink | BC Transit | Local Governments |
|---------------------------------------|----------------------|--------------------|----------------------|
| Own Source Capital Spending 2006 | 640,436,000 | 16,786,000 | 599,145,448 |
| Own Source Capital Spending 2007 | 633,620,000 | 38,292,000 | 638,920,049 |
| Own Source Capital Spending 2008 | 434,187,000 | 69,974,000 | 996,097,619 |
| Total | 1,708,243,000 | 125,052,000 | 2,234,163,116 |
| Commitment | 591,162,000 | 80,645,000 | 2,482,961,340 |
| Spending required to Reach Commitment | 0 | 0 | 248,798,224 |

UBCM COMPLIANCE AND REPORTING

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

Leadership in Programming

During the reporting period, UBCM worked along with our federal and provincial partners to undertake a joint evaluation of the Gas Tax and Public Transit Agreements. UBCM contracted with an independent third party to conduct the evaluation and the report was submitted to the Partnership Committee in January of 2009. The evaluation indicated that the current programs are working well and should achieve the core outcomes of the program. In addition, the evaluation indicates that the programs provide a cost-effective way to meet these goals.

Work also continued with both the federal and provincial government to develop a Performance Measurement Framework and outcome indicators for the Gas Tax program. This work was preparatory for the Outcomes Report that is due to be prepared by UBCM by December 30, 2009. For more on the Outcomes Report, see the Look Ahead section on page 28.

During the reporting period UBCM also provided seven seminars on the Gas Tax and Public Transit funds through the Thompson – Okanagan Local Government Management association, the Local Government Leadership Academy and the Public Administration program at Capilano University.

Communications

During the reporting period, the parties to the agreement, in partnership with local governments, coordinated 19 joint communications (14 events and five joint news releases). These communications highlighted \$218.6 million in new commitments for 42 projects through the Gas Tax and Public Transit funds.

During the same period, eight local governments undertook their own communications with regard to funding or the completion of projects, highlighting a further \$7.2 million in disbursements. Since the launch of the GTA, joint communications have involved more than 90 eligible recipients representing 85% of the provincial population.

Promoting Planning and Collaboration

UBCM has adopted several approaches to promote planning and encourage collaboration. The General Strategic Priorities and the Innovations Funds set aside 5% of the funding available to both programs for Integrated Community Sustainability Planning (ICSP) and Capacity Building projects. Cross-jurisdictional initiatives have also been encouraged through the Regionally Significant Project program, which directed funding from the Strategic Priorities Fund to the eight Regional Districts that comprise Tier 2 under the Gas Tax Agreement. This program was designed to encourage Tier 2 recipients to develop infrastructure and capacity building projects that will provide regional scope and benefit.



LOOKING AHEAD

The 2009 / 2010 program year will offer significant milestones for the Gas Tax Agreement, including the release of UBCM's first Outcomes Report and confirmation of the program elements for extension of funding for 2010-2014.

Gas Tax Outcomes Report

In order to measure the results of the program, UBCM is required to produce an Outcomes Report by December of 2009. The goal of this requirement is to provide information on the results of the program that can be aggregated with information from other jurisdictions, providing a summary of overall performance nationally.

Program Confirmation for 2010 – 2014

In March of 2008, British Columbia became the first jurisdiction in Canada to sign a Gas Tax funding extension agreement, covering the period from 2010/11 to 2013/14. The extension will deliver just over \$1 billion to local governments and other eligible recipients.

With the evaluation of the program now completed, UBCM looks forward to discussions with the Government of Canada and the Province of British Columbia to confirm the program delivery for 2010-2014. Information on future rounds of pooled funding programs will be made available subsequent to these discussions.

To ensure the credibility of outcome reporting data, the Partnership Committee chose performance indicators that are readily available to local governments. In the lead-up to the Outcomes Report, UBCM has prepared reporting materials to guide local government reporting. The Outcomes Report will be written primarily for a public audience, presenting data in a user-friendly format with narrative features describing the impact of the program on communities.



Gas Tax Extension Agreement signed in West Kelowna, March 17, 2008

Outreach and Education

During the period of implementing the Gas Tax program in BC, UBCM has taken a variety of steps to encourage recipient compliance and program engagement, including direct mail, regional seminars and articles in publications such as the UBCM News.

In the coming period, UBCM will be taken further steps to build upon our previous efforts to deepen the level of understanding of the Gas Tax program among BC local governments.

Appendix A: Footnotes

Footnote 1: Reconciliation of recipient reporting opening balance of unspent funding, January 1, 2007

The following table reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 31, 2007, as reported in UBCM's September 2008 report, with the Opening Balance of Unspent Funding as at January 1, 2008, as reported in Table 6 on page 23.

| | |
|--|---------------|
| Closing Balance of Unspent Funding December 31, 2007, as previously reported | 85,903,214.39 |
| Plus: Additional interest reported for prior periods | 48,874.28 |
| Plus: Reduction of administration costs reported in prior periods | 4,098.09 |
| Less: Restatement of Gas Tax spending on projects from prior periods | 147,114.44 |
| Closing Balance of Unspent Funding December 31, 2007, as restated | 85,809,072.32 |

Footnotes 2-5: Reconciliation of amounts transferred to Eligible Recipients by UBCM to amounts Eligible Recipients report as received from UBCM

UBCM is required to report on a fiscal year and recipients report on a calendar year. Consequently, the amounts indicated as transferred to eligible recipients by UBCM include payments made from January to March 2009 which are not included as amounts received by eligible recipients, and amounts received by eligible recipients include payments made from January to March 2008, which are not included in amounts transferred by UBCM. The following are details of the relevant payments.

- Includes payments made January to March 2009, not included in Eligible Recipient amounts received (Nakusp \$68,382.21; Prince Rupert \$5,000.00; Lake Country \$821,418.00; New Hazelton \$5,000.00; Victoria \$111,078.00; Cowichan Valley \$216,750.00; Capital \$66,465.00; Columbia-Shuswap \$252,055.00; Princeton \$11,382.00; Sparwood \$5,000.00; Nelson \$425,000.00; Harrison Hot Springs \$24,844.00; Harrison Hot Springs \$5,000.00; Strathcona \$10,000.00; TOTAL: \$2,027,374.21)

3. Includes payments made January to March 2009, not included in Eligible Recipient amounts received (Penticton \$57,631.00)
4. Includes payments made January to March 2008, reported by UBCM as transferred in prior year (Central Okanagan \$146,301.50; Langford \$123,004.38; Barriere 24,387.81; Clearwater \$29,392.86; Westside \$10,527.67; Port Hardy \$51,039.25; TOTAL: \$384,653.47)
5. Includes payments made January to March 2008, reported by UBCM as transferred in prior year (Cowichan Valley \$81,142.00; Kitimat \$65,489.00; Quesnel \$30,551.00; Port Alberni \$75,415.00; Williams Lake \$36,286.00; Okanagan-Similkameen \$19,560.00; Cranbrook \$54,961.00; Sunshine Coast \$128,401.00; Terrace \$63,793.00; TOTAL: \$555,598.00)

Appendix B

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2009



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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 and as amended on March 17, 2008 (collectively, the "Agreement"), among the UBCM, the Government of Canada ("Canada") and the Province of British Columbia (the "Province"), for the year ended March 31, 2009. The Annual Expenditure Report is the responsibility of the management of UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2009 presents fairly, in all material respects, the receipts and disbursements of UBCM in accordance with Section 7.2.1 of the Agreement.

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

Chartered Accountants
Burnaby, Canada
August 14, 2009

UNION OF BRITISH COLUMBIA MUNICIPALITIES
Annual Expenditure Report
For the year ended March 31, 2009

Receipts and Disbursements

| | Cumulative September 19, 2005 to March 31, 2008 | Year ended March 31, 2009 | Cumulative September 19, 2005 to March 31, 2009 |
|---|--|--------------------------------------|--|
| Gas Tax Agreement | | | |
| Opening Balance of Unspent Funds | \$ - | \$ 57,766,316 | \$ - |
| Received from Canada | 254,240,000 | 127,120,000 | 381,360,000 |
| Investment Income | 4,436,466 | 2,557,683 | 6,994,149 |
| Sub-Total (total available for spending) | 258,676,466 | 187,443,999 | 388,354,149 |
| Transferred to Eligible Recipients | 200,006,133 | 112,884,614 | 312,890,747 |
| Spent on Administration Costs | 904,017 | 495,118 | 1,399,135 |
| Sub-Total (total spending) | 200,910,150 | 113,379,732 | 314,289,882 |
| Closing Balance of Unspent Funds | \$ 57,766,316 | \$ 74,064,267 | \$ 74,064,267 |

Basis of presentation:

The Annual Expenditure Report sets out the receipts and disbursements of the Union of British Columbia Municipalities ("UBCM") as required by Section 7.2.1 of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended March 17, 2008, among UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2009.

Approved by:



General Manager

August 14, 2009

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

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the year ended March 31, 2009



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AUDITORS' REPORT ON COMPLIANCE WITH THE 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, 2009 with the evaluation criteria ("evaluation criteria"), as attached, for the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008 (the "Agreement") among the Government of Canada ("Canada"), the Province of British Columbia (the "Province") and UBCM. The evaluation criteria have been developed based upon consideration of the relevant provisions of the Agreement as interpreted by the management of UBCM. Compliance with the evaluation criteria and the completeness and accuracy of UBCM's interpretations, as attached, are the responsibility of UBCM. The suitability of the evaluation criteria is the responsibility of UBCM. Our responsibility is to express an opinion, based on our audit, regarding UBCM's compliance with the evaluation criteria. Our audit does not constitute a legal determination on UBCM's compliance with the terms and conditions of the Agreement.

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

In our opinion, UBCM has complied as at March 31, 2009, 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 14, 2009

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, 2009

| 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’s 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 December 31, 2008 from an officer responsible for financial administration at each designated recipient, of the amount received and disbursed by each recipient that includes a declaration that the funds were used in accordance with a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement prior to disbursing any funds to Eligible Recipients for the next reporting period.</p> <p>Approved agreements include Schedule C of the Gas Tax Agreement that includes a statement that in the event of default, UBCM may reduce, suspend or terminate any further payment.</p> |

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2009

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

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2009

| Section | Agreement Content | Management’s Interpretation | Evaluation Criteria for Audit Purposes |
|----------------|--------------------------|------------------------------------|---|
| | | | <p>Fund and the amount available to the Tier 3 local governments for Community 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 \$38,478 for the period ended March 31, 2009, (b) The remaining funds are allocated to Tiers 1 and 2 based on a per capita allocation using 2006 Census data, adjusted to take into consideration changes to boundaries, both of which are obtained from the Ministry of Community and Rural Development, Government of British Columbia, (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 |

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, 2009

| Section | Agreement Content | Management’s Interpretation | Evaluation Criteria for Audit Purposes |
|----------------|---|--|--|
| | | | <p>(d) Of the designated funds allocated to Tier 2 in (b), 50% has been allocated to the Community Works Fund and 50% has been allocated to the Strategic Priorities Fund.</p> <p>Approved Community Works Fund agreements have been signed by the designated recipients and, at minimum, include Schedule C of the Gas Tax Agreement.</p> |
| 6.4 | <p>A Strategic Priorities Fund will provide funding for strategic investments that are larger in scale or regional in impact. This fund will be created by pooling a percentage of the per capita allocation (see Table 1 for percentages).</p> <p>All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors has requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.</p> <p>The trigger for funding under the Strategic Priorities Fund is a successful application and a Strategic Priorities Fund agreement between the Eligible Recipient and 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, 2009

| 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 UBCM containing, at a minimum, the elements in Schedule C.</p> <p>The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.</p> | <p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p> | <p>Approval of the allocation to the Innovations Fund by the Partnership Committee is documented in the minutes of the meeting.</p> <p>The allocation to the Innovations Fund is not more than 5% of the total New Deal allocation.</p> <p>The Management Committee has approved an application for funding under the Innovations Fund prior to the execution of an Innovations Fund Funding Agreement.</p> <p>Approved Innovations Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p> |
| 6.6.1 | <p>UBCM agrees that it shall record Canada’s contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement.</p> | <p>This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account.</p> | <p>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, 2009

| 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 from April 1, 2008 to March 31, 2010 as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of UBCM’s Business Case, for the period from April 1, 2008 to March 31, 2010 by the federal Minister of Transport, Infrastructure and Communities, is evidenced in written communication.</p> <p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p> |

Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues
Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)
March 31, 2009

| Section | Agreement Content | Management’s Interpretation | Evaluation Criteria for Audit Purposes |
|----------------|--------------------------|------------------------------------|--|
| | | | <p>The administration amounts allocated to the combined funds by UBCM from April 1, 2008 to March 31, 2009 have not exceeded the total amount set out in the UBCM’s business case for the period from April 1, 2008 to March 31, 2010.</p> <p>The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10%, respectively, in accordance with management’s interpretation.</p> |

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, 2009



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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 period ended March 31, 2009. The Annual Expenditure Report is the responsibility of the management of UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Annual Expenditure Report to the Government of Canada and the Province of British Columbia for the year ended March 31, 2009, presents fairly, in all material respects, the receipts and disbursements of UBCM in accordance with Section 8.2.1 of the Agreement.

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

Chartered Accountants

Burnaby, Canada

August 14, 2009

UNION OF BRITISH COLUMBIA MUNICIPALITIES
Annual Expenditure Report
For the year ended March 31, 2009

Receipts and Disbursements

| | Cumulative March 31, 2006 to March 31, 2008 | Year Ended March 31, 2009 | Cumulative March 31, 2006 to March 31, 2009 |
|---|--|--------------------------------------|--|
| Public Transit Agreement | | | |
| Opening Balance of Unspent Funds | \$ - | \$ 7,349,556 | \$ - |
| Received from Canada | 52,543,008 | - | 52,543,008 |
| Investment Income | 1,657,753 | 138,870 | 1,796,623 |
| Sub-Total (total available for spending) | 54,200,761 | 7,488,426 | 54,339,631 |
| Transferred to Eligible Recipients | 46,764,825 | 3,584,644 | 50,349,469 |
| Spent on Administration Costs | 86,381 | 55,013 | 141,394 |
| Sub-Total (total spending) | 46,851,206 | 3,639,657 | 50,490,863 |
| Closing Balance of Unspent Funds | \$ 7,349,555 | \$ 3,848,769 | \$ 3,848,768 |

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 UBCM, the Government of Canada and the Province of British Columbia, for the year ended March 31, 2009.

Approved by:



General Manager

August 14, 2009

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

**UNION OF BRITISH COLUMBIA
MUNICIPALITIES**

For the year ended March 31, 2009



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AUDITORS' REPORT ON COMPLIANCE WITH THE 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, 2009 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, 2009, 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 14, 2009

**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, 2009**

| 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 UBCM and enforce all terms and conditions of these Funding Agreements. | <p>To “enforce all terms and conditions” of these Funding Agreements refers to management’s commitment to obtain:</p> <p>(a) an approved Funding Agreement signed by the designated Eligible Recipient and UBCM, and</p> <p>(b) a declaration, from an officer responsible for financial administration at the designated recipient, of the amounts received and disbursed by the designated Eligible Recipient and that the amounts were used in accordance with the Funding Agreement.</p> | <p>Approved Funding Agreements exist for any funds disbursed by UBCM to designated recipients in the Public Transit Agreement, and such Funding Agreements outline eligible use of funds and include Schedules A, B and C of the Public Transit Agreement.</p> <p>Management has received a declaration, from an officer responsible for financial administration at each designated recipient, of the amounts received and disbursed by each recipient that includes a declaration that the funds were used in accordance with the Funding Agreement.</p> |
| 6.5 | To the extent that UBCM receives a repayment of all or a portion of a contribution pursuant to the operation of Paragraph 11 of Schedule C, 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, 2009. |
| 7.1 | <p>Public Transit Funds will be allocated as follows:</p> <p>(a) A fund of up to \$1.5 million will be established to be allocated to support additional Public Transit Infrastructure, primarily in communities without existing public transit service, with allocations from</p> | The amount to be allocated to support additional Public Transit Infrastructure primarily in communities without existing public transit service is \$1.5 million, and any portion of these funds which are not allocated by November 30, 2007 may be reallocated. | <p>Management has notified the Province in writing in relation to the allocation of the \$1.5 million in funding under Section 7.1(a).</p> <p>The allocation of remainder of the funds (excluding those identified in 7.1(a)) has been disbursed to approved Eligible</p> |

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

**Union of British Columbia Municipalities
Evaluation Criteria for the Agreement on the
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March 31, 2009**

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

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| | <p>applied. In the case of the Victoria Regional Transit Commission system, the listing of Eligible Projects must be approved by the Victoria Regional Transit Commission and by BC Transit. For all other public transit systems with more than one participant, the listing of Eligible Projects must be approved by all of the participants in the system.</p> <p>Subject to having received the applicable funds from Canada, UBCM will distribute funds directly to an Eligible Recipient within 30 days of the execution of the Funding Agreement between the Eligible Recipient and the UBCM. If the applicable funding has not been received by UBCM prior to the commencement of a Funding Agreement, UBCM will distribute funds within 30 days of receipt of the applicable funds from Canada.</p> | | |
| 7.3 | UBCM agrees that it shall record Canada’s contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement. | This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account. | 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
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March 31, 2009**

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

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| | | | <p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p> <p>The administration amounts allocated to the combined funds by UBCM from April 1, 2008 to March 31, 2009 have not exceeded the total amount set out in UBCM’s business case for the period from April 1, 2008 to March 31, 2010.</p> <p>The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10%, respectively, in accordance with management’s interpretation.</p> |

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Evaluation Criteria for the Agreement on the
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|----------------|--|--|--|
| 7.4 | UBCM agrees to include the Eligible Recipient Requirements in all Funding Agreements, and agrees to enforce all terms and conditions of the Funding Agreements, including the Eligible Recipient Requirements. | <p>The Eligible Recipient Requirements are detailed in Schedule C of the Public Transit Agreement.</p> <p>To “enforce all terms and conditions” of these Funding Agreements refers to management’s commitment to obtain:</p> <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> |

Partnership Committee

Carol Beal (Federal Co-Chair)
Mike Furey (Provincial Co-Chair)

Alan Osborne (Provincial Appointee)

Gerry Salembier (Federal Appointee)
Robert Hobson (UBCM Appointee)
Gary MacIsaac (UBCM Appointee)

Assistant Deputy Minister, Program Operations Branch, Infrastructure Canada
Assistant Deputy Minister, Local Government Department, Ministry of Community and Rural Development
Executive Director, Intergovernmental Relations & Planning Division, Ministry of Community and Rural Development
Assistant Deputy Minister, Western Economic Diversification Canada
President, Union of BC Municipalities
Executive Director, Union of BC Municipalities

Management Committee

Gary MacIsaac (Chair)
Dale Wall (Provincial Appointee)
Claude Blanchette (Federal Appointee)
Johnny Carline (UBCM Appointee)
Brenda Gibson (UBCM Appointee)

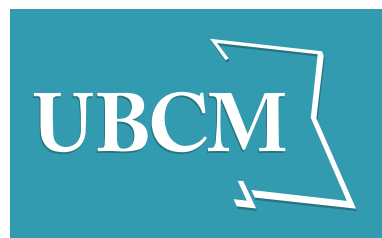
Executive Director, Union of BC Municipalities
Deputy Minister, Ministry of Community and Rural Development
Director General, Infrastructure Canada
Chief Administrative Officer, Greater Vancouver Regional District
General Manager, Victoria Operations, Union of BC Municipalities

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