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DATE: April 22, 2009

REPORT TITLE: **AUTHORITY TO EXECUTE THE LETTER OF AGREEMENT WITH THE PROVINCE OF ONTARIO FOR DEDICATED GAS TAX FUNDS**

FROM: Norma Trim, Acting Chief Financial Officer  
and Commissioner of Corporate Services

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### **RECOMMENDATION**

**That the Regional Chair and the Acting Chief Financial Officer be authorized to execute the Letter of Agreement with the Ontario Ministry of Transportation for the Dedicated Gas Tax Funds for Public Transportation Program in order to allow the Province of Ontario to release the 2008/2009 funding to the Region of Peel;**

**And further, that the necessary by-law be presented to Regional Council.**

### **REPORT HIGHLIGHTS**

- In March 2009, the Region of Peel was advised of its 2008/2009 municipal allocation of the provincial dedicated gas tax funds of \$732,175.
- Regional Council is required to enact a by-law authorizing the execution of the letter of agreement with the Province of Ontario.
- The letter of agreement continues to require that the Region fully fund its share of the GO Transit Growth Capital Plan. The Region is currently in default of the 2006/2007 and 2007/2008 Letters of Agreement as GO billings were in excess of the 2007 and 2008 budgeted payments to GO.

### **DISCUSSION**

#### **1. Background**

In March 2009, the Ministry of Transportation advised the Region of Peel that it will be eligible to receive funding for 2008/2009 (October 1, 2008 to September 30, 2009) from the provincial government under the Dedicated Gas Tax Funds for Public Transportation Program. This is a continuation of the program started in 2004. Participation in the program requires each municipality to execute an annual letter of agreement with the Province of Ontario. Accompanying the letter of agreement is the Dedicated Gas Tax Funds for Public Transportation Program 2008/2009 Guidelines and Requirements document, a copy of which is on file with the Regional Clerk.

Participants in the program must meet the following conditions for 2009:

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- Only municipalities that have submitted their 2007 annual data survey to the Canadian Urban Transit Association (CUTA) will be eligible to receive dedicated gas tax funds;
- Dedicated gas tax funds must be used exclusively towards the provision of public transportation service;
- Transit vehicles purchased using the gas tax funds must be fully accessible;
- The acquisition of transit vehicles must comply with the Canadian content policy requirements;
- Municipalities are required to provide an annual report of their spending on public transportation services;
- Gas tax funds can only be used to support municipal public transportation expenditures above a municipality's baseline spending; and
- Dedicated gas tax funds, including all interest earned must be kept in a dedicated gas tax funds reserve account and remain the property of the Ministry of Transportation pending payment of eligible expenditures.

Additionally, dedicated gas tax funds will be required to be spent on:

- Public transportation capital expenditures that promote increased transit ridership, and are above a municipality's baseline spending;
- Public transportation operating expenditures that are above a municipality's baseline spending;
- Capital expenditures that provide improvements to transit security and passenger safety and are above a municipality's baseline spending; and
- Major bus refurbishment on any fully accessible, or to be made fully accessible public transportation vehicle.
- For municipalities that provide only specialized transit, transit strategies that may not initially result in ridership growth, but will provide increased accessibility can be considered as eligible expenditures if approved in writing by MTO prior to implementation.

In addition to the above requirements, prior to the release of any dedicated gas tax funds, GTA municipalities will be required to participate in the Presto Fare System project, including meeting all financial obligations for the project.

As with previous letters of agreement, those GTA municipalities that are required to provide funding for one-third of the capital costs for GO Transit must demonstrate that they have met this requirement. For the 2009/2010 Provincial Budget Year the GO plan had identified total funding requirements from the Region of \$19.2 million of which \$3.4 million was budgeted as growth related and therefore eligible for Development Charges funding.

As of February 2009 the Region has an outstanding liability of \$14.5 million for the 2007/08 and 2008/09 GO Transit fiscal years. This liability will increase once the March 2009 invoice is received from GO Transit. Additionally the Acting Chief Financial Officer has advised GO Transit that growth related payments will not resume until the DC reserve fund is fully funded and that future payments will only be made based on the actual funds available in the reserve fund.

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**CONCLUSION**

The Letter of Agreement for the provincial dedicated gas tax funds requires Regional Council to pass a by-law authorizing the Chair and Acting Chief Financial Officer to execute the agreement. Region of Peel's allocation for 2008/09 will be \$732,175. Payment to the Region will start after the Province receives the signed Letter of Agreement and related authorizing by-law. The dedicated gas tax funds will be used to fund both capital and operating expenditures that will support TransHelp ridership growth.



Norma Trim  
Acting Chief Financial Officer  
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**Approved for Submission:**



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D. Szwarc, Chief Administrative Officer

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c. Legislative Services