MA-A6-1

Region of Peel
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REPORT

DATE: June 25,2010

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

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

RECOMMENDATION

That the Regional Chair and the 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 described in the report of the Chief Financial Officer and Commissioner of Corporate Services dated June 25, 2010 titled "Authority to Execute the Letter of Agreement with the Province of Ontario for Dedicated Gas Tax Funds" in order to allow the Province of Ontario to release the 2009/2010 funding to the Region of Peel.

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

REPORT HIGHLIGHTS

- In May 2010, the Region of Peel was advised of its 2009/2010 municipal allocation of the provincial dedicated gas tax funds of $624,006.
- 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, 2007/2008 and 2008/2009 Letters of Agreement as the GO Transit growth capital billings have exceeded GO Transit development charge (DC) collections by $26.8 million.

DISCUSSION

1. Background

In May 2010, the Ministry of Transportation advised the Region of Peel that it will be eligible to receive funding for 2009/2010 (October 1, 2009 to September 30, 2010) 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 2009/2010 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 2010:

- Only municipalities that have submitted their 2008 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.

a) Funding GO Transit Growth and Enhancement Plan

As with previous letters of agreement, those GTA municipalities that are required to provide funding for one-third of the capital costs for the GO Transit Growth and Enhancement Plan must demonstrate that they have met this requirement. Regional Council has only supported the payment of GO Transit capital costs on the basis of GO Transit DC collections. GO Transit DC collections have been significantly lower than the GO Transit growth capital billings received by the Region.

As of June 2010 the Region has an outstanding liability of $26.8 million for the 2007/08, 2008/09 and 2009/10 GO Transit fiscal years. This liability may increase in the future should GO Transit invoice for growth capital for the 2010/11 GO Transit fiscal year. The 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

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on the actual funds available in the reserve fund. As of the writing of this report the reserve fund had a $0.5 million balance which will be forwarded to GO Transit.

CONCLUSION

The Letter of Agreement for the provincial dedicated gas tax funds requires Regional Council to pass a by-law authorizing the Chair and Chief Financial Officer to execute the agreement. Region of Peel's allocation for 2009/10 will be $624,006. 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
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:

D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Dave Bingham at extension 4292 or via email at binghamd@peelregion.ca

Authored By: Jim Alpous

c. Legislative Services