
REPORT TITLE: **Transfer of Region of Peel Additional One-Time Canada Community-Building Fund Allocation - 2021**

FROM: Gary Kent, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the one-time top-up of the Canada Community-Building Fund, formerly known as the federal Gas Tax Fund, received by the Region of Peel for the 2021 fiscal year be substantially allocated to the Cities of Brampton and Mississauga and the Town of Caledon based on the allocation method identified in the report of the Chief Financial Officer and Commissioner of Corporate Services, listed on the September 23, 2021 Regional Council agenda titled “Transfer of Region of Peel Additional One-Time Canada Community-Building Fund Allocation - 2021”;

And further, that the necessary by-law be presented for enactment;

And further, that the indemnity agreements that form Schedule A to the By-law be executed by the signing officers of the Regional Corporation to enable the transfer of the funds to the lower-tier municipalities from the Region of Peel;

And further, that the one-time top-up of the Canada Community-Building Fund to be retained by the Region of Peel be used to fund capital infrastructure projects in the applicable eligible project categories as prescribed by the Association of Municipalities of Ontario.

REPORT HIGHLIGHTS

- On March 25, 2021, Deputy Prime Minister Freeland announced that additional funding of \$2.2 billion to address infrastructure priorities in municipalities and First Nation Communities across Canada will flow through the federal Gas Tax Fund.
- The federal Gas Tax Fund has been renamed the Canada Community-Building Fund and be subject to the terms and conditions of the existing Municipal Funding Agreement.
- The Region of Peel and local municipalities have received the one-time top-up of the Canada Community-Building Fund from Association of Municipalities of Ontario (AMO).
- Should Council wish to share the Region one-time top-up funds of approximately \$42.1M based on the previously used formula where the Region would retain 17 per cent (\$7.1M) of the funds and distribute the remaining 83 per cent (\$35M) to the local municipalities, Regional Council must enact a by-law to authorize such transfer.
- The calculated allocation of the one-time top-up Canada Community-Building Funds to the local municipalities is based on the 2016 census data and this results in a distribution of the \$35M to the Cities of Brampton (\$15M) and Mississauga (\$18.3M) and the Town of Caledon (\$1.7M).
- The changes to the federal Gas Tax Fund program reflect the program’s evolution over time; that effort in conjunction with other targeted federal and provincial infrastructure

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funding announcements have provided enhanced flexibilities and opportunities for the Region and the local municipalities to optimize the fund utilization/distribution collectively and holistically to maximize value for our taxpayers and rate payers.

- The Region, in partnership with our municipal partners, will continue to advocate for growing Canada Community-Building Fund transfers.

DISCUSSION

1. Background

On March 25, 2021, Deputy Prime Minister and Minister of Finance, the Honorable Chrystia Freeland, introduced Bill C-25 which would rename the federal Gas Tax Fund (GTF) to the Canada Community-Building Fund (CCBF) and would increase funding by \$2.2 billion in 2021. This doubling of the funding is intended to support infrastructure priorities in municipalities/First Nation Communities across Canada and to help prepare communities for economic recovery from the COVID-19 pandemic.

On July 29, 2021, the Deputy Prime Minister announced that Ontario has received over \$850M through the new federal CCBF for the 2021-2022 fiscal year, along with a top-up of more than \$816M.

The Region of Peel received the regular annual CCBF allocation on May 31, 2021 in the amount of \$43,822,064.39, of which \$36,372,313.44 was distributed to the three local municipalities on June 25, 2021 in accordance with the By-law 4-2019/42-2021 as enacted by Council.

On August 4, 2021, the Region received the top-up funding in the amount of \$42,127,394.20.

2. Findings

Historical Fund Allocation

The CCBF (formerly known as the federal GTF) has been an important funding source for the Region and the three local municipalities in making significant infrastructure investments to help support the safety and the quality of lives of residents in Peel.

The local municipalities in Peel receive their own share of funding. Additionally, since February 2006, Regional Council passed by-laws authorizing the allocation of the Region's allotment of federal GTF to the three local municipalities. Historically the Region has transferred most of its allocation (i.e. approximately 83 per cent), supplementing the funding the local municipalities received directly from AMO.

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\$million	Region	Mississauga	Brampton	Caledon
Received Directly from AMO (2005-2020)	546	307	212	26
Transferred from the Region (2005-2020)	(451)	251	179	22
Deposited to the Respective Reserve Fund (2005-2020)	<u>95</u>	<u>558</u>	<u>391</u>	<u>48</u>
* Reserve Fund Balance, as of Dec 31, 2020	<u>27</u>	<u>154</u>	<u>69</u>	<u>4</u>
**Estimated Allocation to be Transferred from the Region (2021-2023)	(146)	76	63	7

Note: numbers may not add up due to rounding

*reported as per the 2020 FIR of each municipality

** Include annual allocation approved by the Region of Peel By-law 4-2019/ 42-2021, as well as the 2021 top-up transfer discussed in this report

One-Time Top-Up in 2021

The one-time top-up fund received will be subject to the terms and conditions of the existing Municipal Funding Agreement in the same way as the regular payments/instalments.

Should Council direct to share the top-fund fund based on the previously used formula where the Region retains 17 per cent while the remaining 83 per cent is distributed to the local municipalities, the Region's top-up CCBF and the shares with the local municipalities are as follows:

Year	Total Amount	Region Amount	Local Amount
2021 Additional Funds	\$42,127,394.20	\$7,161,657.01	\$34,965,737.19
<i>Sharing %</i>	<i>100.0%</i>	<i>17.0%</i>	<i>83.0%</i>

The Region's retained allocation amount of 17 per cent will continue to be used to fund capital infrastructure projects in the eligible applicable project categories as prescribed by the Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds between AMO and the Region, dated April 1, 2014 (the "Municipal Funding Agreement"). Please refer to Appendix I of this report for a listing of eligible project categories.

The following table outlines the calculated one-time top-up funds transfer amounts and the shares to the lower-tier municipalities for the 2021 fiscal year:

	<u>Mississauga</u>	<u>Brampton</u>	<u>Caledon</u>	<u>Total</u>
<i>2016 Population</i>	<i>721,599</i>	<i>593,638</i>	<i>66,502</i>	<i>1,381,739</i>
<i>% Share</i>	<i>52.2%</i>	<i>43.0%</i>	<i>4.8%</i>	<i>100.0%</i>
Transfer \$				
Top-up funds	<u>18,260,497.10</u>	<u>15,022,366.95</u>	<u>1,682,873.14</u>	<u>34,965,737.19</u>
Total	<u>\$18,260,497.10</u>	<u>\$15,022,366.95</u>	<u>\$1,682,873.14</u>	<u>\$34,965,737.19</u>

As required by the Municipal Funding Agreement, Regional Council must enact an authorizing by-law in order to transfer the Region's allocation of the one-time top-up CCBF

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to the local municipalities. As part of this process, the local municipalities are required to execute the indemnity agreement with the Region. Once this is completed and the funds are received from AMO, the Region will transfer the funds to the local municipalities as stated above.

Program Evolution

A number of changes to the federal GTF program were introduced in 2014 which include:

- The eligible project categories have been expanded from the previous seven categories to the current 17 categories (Appendix I).
- The previous limit of maximum two categories for an upper tier municipality has been removed.
- A mandatory requirement for an asset management plan has been added.
- The Fund provides for permanent and multi-year infrastructure funding commitments to both upper tier and lower tier municipalities in Ontario.
- Unexpended fund shall not be retained beyond five years after the money is received by a municipality.

The Region's 2021 Enterprise Asset Management Plan identified the Region's infrastructure replacement value of approximately \$32.5 billion. Over the next 20 years, there is an unfunded gap of \$1.1 billion for utility rate supported programs and \$1.3 billion for tax supported programs respectively for state of good repair replacements. Similar to other municipalities, the Region is facing significant challenges and unknown conditions underlying the Region's asset portfolio that may result in increased service pressures and create infrastructure risks.

\$billions	Region	Mississauga	Brampton	Caledon
Asset Replacement Value (2019 Value)	32	8	6	2

Note: The calculated estimates are based on the most recent asset management plan of each municipality assuming annual index of 2%

The press release of the 2019 Canadian Infrastructure Report Card messages that "the report shows the importance of long-term investments in renewing the infrastructure that's already in our communities...for municipal leaders the best way to do that is through the federal Gas Tax Fund transfer". The recently announced name change of the program from the federal GTF to the CCBF reflects the program's evolution over time. It signals the program's growing emphasis on supporting municipalities' asset management plans and strategies by allowing the fund to be used as a somewhat generally purposed funding source.

The Government of Canada launched the Investing in Canada Plan in 2016 which pledged approximately \$180 billion over 12 years for infrastructure investments in Canada; of which the Investing in Canada Infrastructure Program (ICIP) provides up to \$30 billion in combined federal, provincial and municipal investments in Ontario over the next 10 years.

- Public Transit Fund - \$8.3 billion federal funding
- Green Infrastructure Fund - \$2.8 billion federal funding
- Community, Culture and Recreation Fund - \$407M federal funding
- Rural and Northern Community Fund - \$250M federal funding
- Covid-19 Resilience Fund - \$1.05 billion joint federal-provincial funding

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Additionally, the federal government announced permanent transit funding of \$3 billion per year beginning in 2026-2027. Funding of \$375M per year has been announced for 2021 for municipal transit system through the Ontario Gas Tax for Transit Program. Provincial funding for roads and bridges are scheduled to provide \$30M for 2020-2021 through the Connecting Links Program and approximately \$200M annually through the Ontario Community Infrastructure Fund.

Historically the Region and its local municipalities have been using the GTF primarily in transit and transportation related infrastructures. The targeted and focused funding streams outlined above and the updates to the CCBF program have changed the senior level governments transfer payment funding landscape. The changes have provided enhanced flexibilities and opportunities for the Region and the local municipalities to review the CCBF funding allocation formula on a go-forward basis, with a view to maximizing value for Peel Region taxpayers and rate payers by optimizing the funds utilization/distribution collectively and holistically. Some key elements for consideration include community infrastructure needs, funding availabilities and restrictions (i.e. stacking), spending capacity (compliance with the five-year spending threshold), long-term financial planning strategies, asset management plans, debt management, and etc. In the meantime, the Region, in partnership with our municipal partners, will continue to advocate for growing CCBF transfers.

CONCLUSION

The Region received the one-time top-up of the Canada Community-Building Fund in the amount of approximately \$42.1M, for the 2021 fiscal year. Council must enact a by-law authorizing the amounts to be shared with the Region and the local municipalities based on the sharing arrangements as directed by Council in this report.

APPENDICES

Appendix I – Canada Community-Building (Formerly Federal Gas Tax) Eligible Project Categories

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