



Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues

Provincial Annual Expenditure Report (AER)
as of March 31, 2010

Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues

Provincial Annual Expenditure Report (AER) as of March 31, 2010

The Province of Nova Scotia has completed the fifth year of the Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues (GTF). The Canada-Nova Scotia Infrastructure Secretariat (CNSIS) continues, on behalf of Nova Scotia, to administer and deliver Federal Gas Tax Funds to Nova Scotia's 55 municipalities and the Union of Nova Scotia Municipalities (UNSM).

The Province of Nova Scotia jointly signed Municipal Funding Agreements (MFAs) with each of the 55 Nova Scotia Municipalities in 2005-06, and ensured compliance with the terms and conditions in the 2009-10 fiscal year. Nova Scotia's GTF annual distribution formula to municipalities is based on population, dwelling units, and municipal standard expenditures.

Project Investments:

From upgrades to solid waste facilities to improved water and wastewater treatment, the GTF continues to invest in important infrastructure projects throughout Nova Scotia.

This year, the GTF transferred \$58,064,000 from Canada to Nova Scotia towards municipal infrastructure that was distributed to municipalities. Also, \$100,000 of provincial interest earned was committed to the UNSM.

185 eligible projects were approved that expensed \$38,153,378 in GTF in 2009-10.

As of March 31, 2010, \$44,275,888 is cumulatively being held in reserve by municipalities for future infrastructure projects, which includes a \$100,000 commitment to the UNSM.

Individual community project benefits realized are provided in each of the attached 55 Annual Expenditure Reports, including the UNSM's Report. To enhance the reporting by municipalities, the Province developed and implemented new online reporting for the AERs using Adobe software.

Project highlights for 2009-10:

- ▶ 185 approved projects – 105 projects are completed and 80 are in progress.
- ▶ One of the GTF project investments is for a Municipal Sustainability Coordinator at the UNSM to provide support to all Nova Scotia municipalities on green initiatives.
- ▶ Total project cost is \$215,606,734 (for all 185 projects), and of this, \$38,153,378 was expensed by GTF-a 5.6 multiplier against Federal investment.
- ▶ Paving & Roads (44%) and wastewater (26%) improvements represented the greatest proportion of gas tax expenditures
- ▶ New online Adobe reporting templates were developed for AER, CIP and Outcomes Report to improve efficiency and ease reporting for municipalities



Table 1: Spending by Project Category for 2009-10

Project Category	Total 2009-10 Gas Tax Expensed	Total Project Cost (\$)	Total # of Projects
Wastewater	10,014,054	78,102,408	69
Water	1,805,876	27,443,904	20
Active Transportation	3,218,334	9,379,853	12
Solid Waste	4,291,433	30,142,257	12
Paving & Roads	16,881,841	59,256,947	25
Public Transit	283,237	4,256,176	2
Capacity Building*	1,206,313	3,237,956	38
Community Energy	344,344	2,062,002	3
Other (combination)	227,787	1,725,231	4
Total Project Spending**	38,273,219	215,606,734	185

*includes UNSM \$126,859 expenditure/ **excludes project adjustments (\$-119,841)

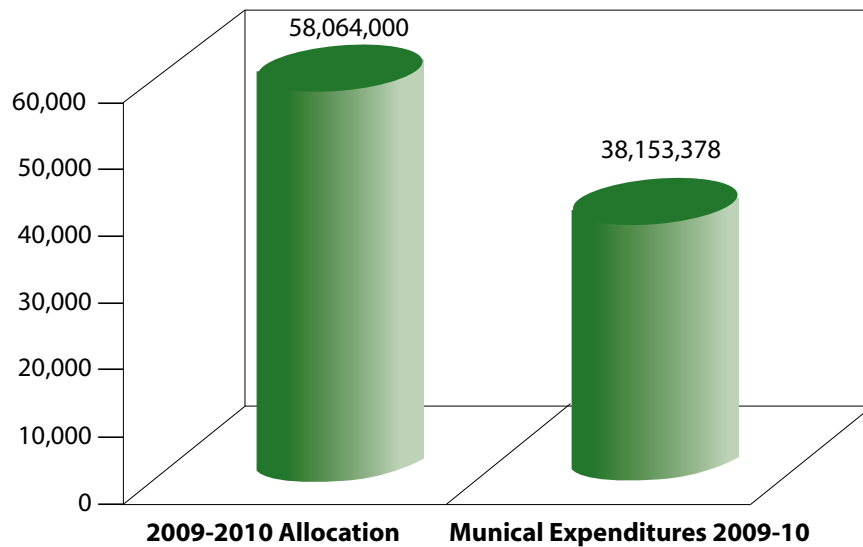
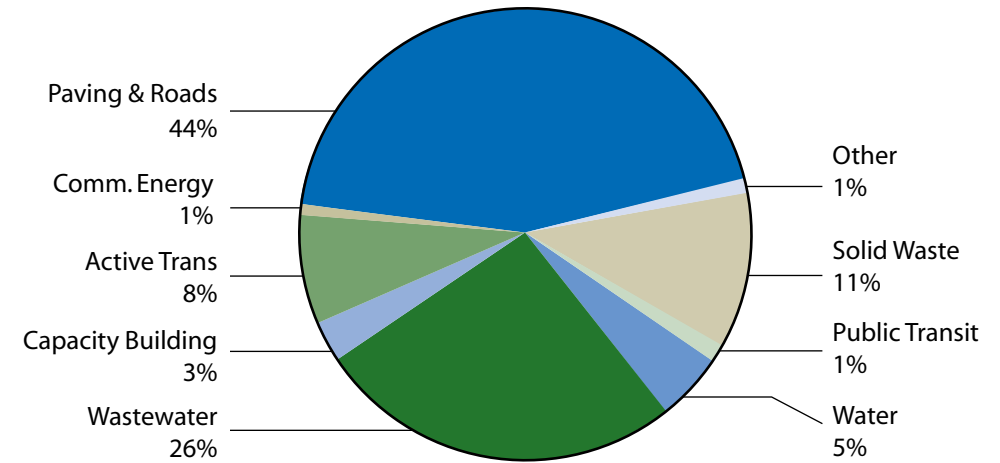


Figure 1: Federal Gas Tax Expenditures 2009-10



Total GTF Spent by Project Category (2009-10)

Nature of the Investment (2009/10):	
▶	120 new projects
▶	48 renewal projects
▶	14 expansion projects
▶	3 other (combination) projects
Total 185 projects	

Wastewater Projects

Many Nova Scotia communities are already seeing the benefits from the Gas Tax Fund, like the construction of wastewater treatment plants. Projects such as the Dominion Sewer Treatment Plant upgrade in CBRM that will see wastewater treated to a higher level. This will help reduce risks to health and the environment with the reduction of raw sewage discharges.



Public Transit/Active Transportation

The Gas Tax Fund has invested in public transit and active transportation such as the purchase of MetroLink Buses and the development of new walkways and bike lanes in HRM. These projects will provide alternatives to private transportation, which will reduce the ecological footprint and cut back on congestion, and on greenhouse gases.



Water Improvements

GTF investments in projects such as the Town of Port Hawkesbury's water treatment facility will assist municipalities in meeting Nova Scotia's drinking water standards.



Solid Waste Improvements

This year, more than 11 per cent of GTF investments has been directed towards improving solid waste projects such as upgrades to the Municipality of Lunenburg's Composting Facility.



Incrementality of Gas Tax Funds:

There is a requirement in the Canada/Nova Scotia Agreement to demonstrate Incremental Spending of GTF by municipalities using data from April 1, 2005, to March 31, 2009, in the audited Provincial Annual Expenditure Report for the year ending March 31, 2010. The following summarizes this analysis:

- The Provincial Base Amount is \$9.3 million which represents a three year (2001/02, 2002/03, & 2003/04) average of funds spent on municipal infrastructure by the Province of Nova Scotia. In 2009/10, Nova Scotia contributed \$30.7 million to municipal infrastructure. The Province of Nova Scotia will ensure that over the period of April 1, 2005, to March 31, 2010, its average annual capital spending on Municipal Infrastructure will not be less than the Provincial Base Amount.
- The Province of Nova Scotia will ensure that the funding under the Agreement provides additional revenues for Municipalities rather than displacing other provincial infrastructure funding.

Provincial Base Amount	2005/06	2006/07	2007/08	2008/09	2009/10
\$9.3 M	\$14.345	\$15.864	\$14.530	\$25.910	\$30.7

- The Halifax Regional Municipality (HRM) Base Amount is \$58 million which represents a three year average (2001/02, 2002/03, & 2003/04) of capital asset acquisitions taken from the HRM financial statements, less capital projects that were funded partially or totally by senior governments. HRM's net capital acquisitions for 2009/10 were \$86.08 million, which is well above the base amount.

HRM Base Amount	2005/06	2006/07	2007/08	2008/09	2009/10
\$58 M	\$192.84	\$164.82	\$174.15	\$137.76	\$86.08

d. A methodology for measurement of incremental federal gas tax transfer spending on municipal infrastructure for Nova Scotia communities other than Halifax Regional Municipality (HRM) was established by the Province of Nova Scotia and Government of Canada. The Municipal Base Amount is \$33.3 million, which represents a three year average (2001/02, 2002/03, & 2003/04) of tangible capital asset acquisitions, less capital projects that were funded partially or totally by senior governments for the remaining 54 Nova Scotia Municipalities.

e. The municipalities' net capital acquisitions for 2008/09 were \$82.89 million, which is well above the base amount. Please note that municipal incrementality could not be tested for 2009-10 due to outstanding consolidated financial statements at the time of this report.

Municipal Base Amount	2005/06	2006/07	2007/08	2008/09
\$33.3 M	\$85.72	\$67.33	\$47.92	\$82.89

Adoption of PSAB accounting Rules:

The Canadian Institute of Chartered Accountants (CICA), through the Public Sector Accounting Board (PSAB), requires municipalities to follow Public Sector Accounting Principles in preparing their annual financial statements.

In Nova Scotia, the Financial Reporting and Accounting Manual (FRAM) is a regulation under the Municipal Government Act (MGA) that requires municipalities to follow Public Sector Accounting Principles in accordance with CICA standards.

Staff from the Municipal Services Division of Service Nova Scotia and Municipal Relations collaborate with Nova Scotia's municipalities to review and improve the FRAM annually.

SNSMR works closely with the municipalities as they transition to meet new and emerging annual reporting requirements in accordance with PSAB standards. For example, the Department led a working group of municipal finance staff to implement Tangible Capital Asset (TCA) reporting requirements, which are effective in fiscal 2009-2010. TCA compliance will be required under GTF reporting.

Leading Nova Scotia's municipalities through changes in municipal reporting requirements is an ongoing priority for SNSMR.

Capital Investment Plan:

Service Nova Scotia and Municipal Relations (SNSMR) through the Canada-Nova Scotia Infrastructure Secretariat (CNSIS) and with the participation of the Nova Scotia Municipal Finance Corporation, developed a Capital Investment Plan (CIP) Template and Guide to assist municipalities in meeting the Federal Gas Tax reporting deadlines.

The CIP Template and process will enable municipalities to facilitate long-term capital planning and financing of future infrastructure. Eligible costs and project categories are reviewed annually by the CNSIS. The Province is now in the fourth year of collecting CIP's and during 2009-10 developed and implemented a process for municipalities to complete the forms online using Adobe software.

Integrated Community Sustainability Plans:

Nova Scotia has developed an Integrated Community Sustainability Plan (ICSP) Guide/Template which has been distributed to municipalities. An official printed version was published and sent to all 55 municipalities in September 2007, along with an accompanying cover letter outlining all municipal reporting requirements of the Federal Gas Tax Agreement. The Guide/

Templates were posted electronically and are also available for download from the Canada-Nova Scotia Infrastructure Secretariat's website, as well as Service Nova Scotia and Municipal Relations website.

The Province requested that all municipal units submit for early review, a draft copy of their ICSP work-to-date by September 30, 2009. The early submission was designed to identify any municipalities requiring additional support from the Province, in order to complete their ICSPs by March 31, 2010. To date, the Province has received and reviewed final ICSPs from all municipal units. As a requirement of the Gas Tax extension agreement 2010-2014, municipalities will be required to submit an ICSP implementation progress report outlining how they are meeting their goals.

Municipal Sustainability Coordinator:

The Province of Nova Scotia partnered with the Union of Nova Scotia Municipalities (UNSM) to establish a position for a Municipal Sustainability Coordinator. This position is funded through the provincial interest earned under the Federal Gas Tax program (refer to attached AER).

The following page contains an overview of 2009-10 projects and initiatives for UNSM's Municipal Sustainability Office.

UNSM - Projects Completed

- **The Energy Efficient Street Lighting Strategy for Nova Scotia Municipalities** report offers a review of energy efficient street lighting by providing a comparison of the various technologies and practices, along with consideration of barriers and opportunities for their implementation.
- **The Green Office Procedures Toolkit** was developed to help municipalities reduce energy and resource use from their daily practices.
- **The Active Transportation Committee** developed a survey to identify active transportation initiatives within Nova Scotia municipalities; a survey report outlining key findings was developed.
- **An active transportation video** was produced and released at UNSM's fall conference in November to promote active transportation as a viable transportation mode and provide insights on how to make active transportation a reality at the municipal level.
- **New Website Design:** The Municipal Sustainability Coordinator worked with a web designer to redesign its website; website maintenance is ongoing.
- **The Memorandum of Understanding on Age-friendly Communities** with the Province was signed on November 7 and lays out a framework for making our municipalities more age-friendly and sustainable; work is currently underway with NS Department of Seniors on key deliverables for 2010.

UNSM - Ongoing Projects

- **Community Emissions Challenge Project** (administered by the Arthur Irving Academy for of the Environment at Acadia University) is a 2-year greenhouse gas reduction initiative targeting municipalities and individuals across the province.
- **Idle-less Project Toolkit** (administered by the Ecology Action Centre) will include a model anti-idling bylaw and resources to help municipalities initiate programs to eliminate unnecessary idling.
- **Greening UNSM's Operations:** The Municipal Sustainability Coordinator is working with all staff to "green" its internal operations and engaged the services of Eco-Efficiency Office to conduct an audit of UNSM's office and operations.
- **UNSM's Carbon Offset Policy:** UNSM's Board of Directors adopted a carbon offset policy at its Dec. 2009 meeting for staff and board members' travel and UNSM events
- **Memorandum of Understanding (MOU)** on Climate Change with UNSM and the Province was signed at UNSM's fall conference on November 7; the Municipal Sustainability Coordinator and representatives from NS Environment and SNSMR are collaborating to develop a work plan for the MOU.

UNSM - New Projects Underway in 2009-10:

- **Wind Energy Development Plan Project:** A Request for Expressions of Interest for municipalities wishing to apply for support to develop a wind energy plan was issued in February 2010 in partnership with the Department of Energy; both the Municipality of the District of Shelburne and the Municipality of the County of Cumberland were awarded funding (\$80,000 in total) to complete their plans by December 2010.

- **Sustainability Scan Project** will survey all units to identify sustainability programs, initiatives and policies in place across the province and make this information available in a database on the Municipal Sustainability Office's website.
- **Active Transportation Projects:** A strategic planning session was held on February 25 to develop a 3-year plan to help direct the committee's work; a list of priority projects for the Active Transportation Committee was created.

Communications Protocol:

The Canada-Nova Scotia Infrastructure Secretariat (CNSIS) continues to work with Infrastructure Canada on the communications plan for the Gas Tax Fund. The communications plan has been recommended for approval by all parties.

Communications tools to assist municipalities with GTF event planning and activities:

- ▶ Display unit
- ▶ Brochures
- ▶ On-line tool box
- ▶ Event planning (communicating your project, protocol, media relations, etc.)
- ▶ News releases
- ▶ Gas Tax PAER narrative summary

The CNSIS continues to encourage municipalities to have activities and events showcasing the federal contribution towards their project. A calendar of potential events and activities for 2009/10 was submitted to Infrastructure Canada for future consideration. In 2009-10, CNSIS attended the Association of Municipal Administrators

Annual Meeting and Union of Nova Scotia Municipalities Fall Conference. As well, CNSIS presented at several Municipal Regional Workshops throughout Nova Scotia.

During 2007-08, the CNSIS developed a new website - www.nsinfrastructure.ca. This website includes all federal-provincial infrastructure funding programs. From general information on programs to reporting requirements to how to plan your event, this website makes it easier for municipalities to find and access information for all the infrastructure programs.

The CNSIS will continue to work closely with Infrastructure Canada and the 55 Nova Scotia municipalities to help promote the Gas Tax Fund.

Cumulative Summary:

Cumulatively, in Nova Scotia, \$102,777,789 (71%) out of a total 5 year federal allocation of \$145,159,000 in GTF has been expensed to date. It should be noted that \$44,275,888 is currently held in reserve account by municipalities at March 31, 2010.

The highest percentage of GTF expenditures are wastewater, active transportation/local roads and solid waste projects (refer to Table 3 and Figure 3).

Figure 2: Cumulative GTF Spent to Date (2005-2010)

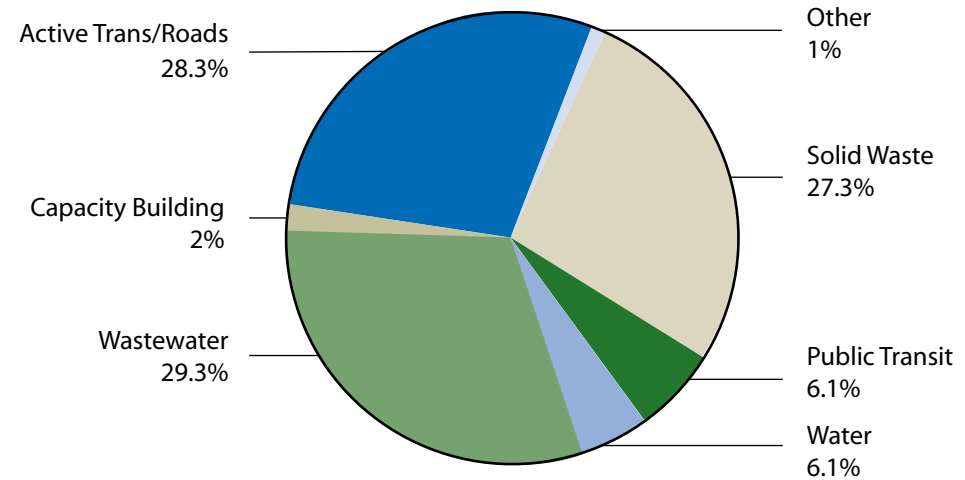


Table 3: Cumulative Gas Tax Expensed to Date by Project Category

Project Category	TGTF Expensed (05-06)	GTF Expensed (06-07)	GTF Expensed (07-08)	GTF Expensed (08-09)	GTF Expensed (09-10)	Cumulative
Wastewater	2,107,905	2,299,312	5,717,503	9,403,530	10,014,054	29,542,304
Water	279,833	670,813	935,362	2,644,634	1,805,876	6,336,518
Active Trans/Local Roads	340,869	999,631	3,410,455	3,701,967	20,100,175	28,553,097
Solid Waste	4,557,241	5,599,366	5,159,084	8,346,641	4,291,433	27,953,765
Public Transit	3,552,412	1,601,418	638,898	434,269	283,237	6,510,234
Capacity Building	-	49,701	385,770	593,479	1,206,313	2,235,263
Comm Energy	-	-	-	-	344,344	344,344
Other (combination)	132,086	372,048	374,359	195,984	227,787	1,302,264
Total Project Spending	10,970,346	11,592,289	16,621,431	25,320,504	38,273,219	102,777,789' 71% of total GTF

*includes municipal interest/09-10 includes adjustments (\$-119,841)

Table 4: GTA Financial Summary-Nova Scotia Municipalities

	2005-06	2006-07	2007-08	2008-09	2009-10	Cumulative
Rec'd from Canada/NS	17,419,000	17,419,000	23,225,000	29,032,000	58,064,000	145,159,000
Mun Opening Balance	0	6,454,507	8,935,675	19,731,813	23,547,778	
Rec'd by Muns *	17,418,998	13,814,490	27,029,513	28,663,063	58,532,936	145,459,000
Mun Spent on Eligible Projects	(10,970,346)	(11,592,290)	(16,621,431)	(25,320,503)	(38,153,378)	(102,657,949)
Committed *	-	-	-	-	100,000	100,000
Mun Interest Earned	6,330	277,657	401,931	482,096	276,374	1,444,388
Mun Spent on Admin	(475)	(18,689)	(13,874)	(8,691)	(27,822)	(69,551)
Mun Closing Balance	6,454,507	8,935,675	19,731,813	23,547,778	44,275,888	44,275,888

*Includes distribution to UNSM (2009-10-\$100,000 was committed but not distributed until 10-11)

Figure 4 shows that the proportion of municipal GTF reserves has been steadily increasing between 2005 to 2010. The following provides some rationale as to why this has occurred:

- smaller municipalities are building up reserves to expense on larger projects in the future.
- MRIF and BCF federal stacking rules limit the amount of gas tax a municipality can use towards an eligible project. Stimulus projects have federal stacking and consumed municipal resources in 2008-09 and 2009- 10.
- many projects are multi-year and expenditures are phased or delayed till project completion.

Figure 3: GTF-Opening and Closing Balance 2005-2010

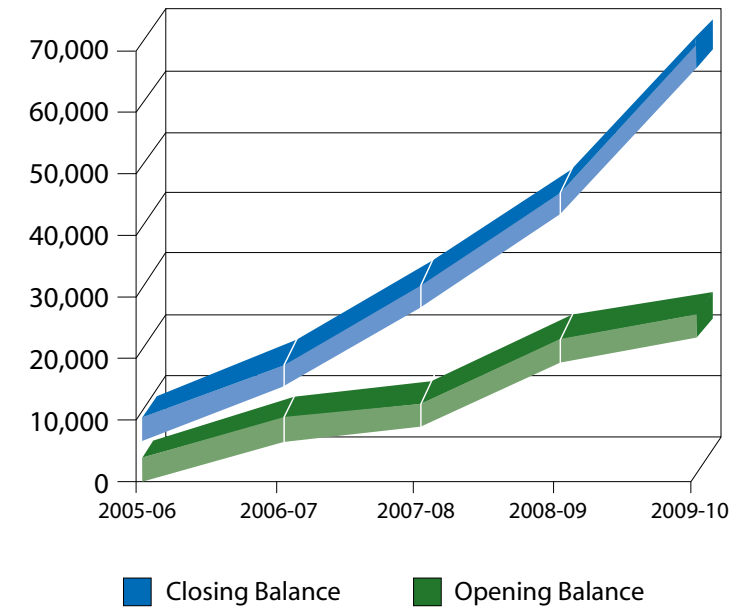
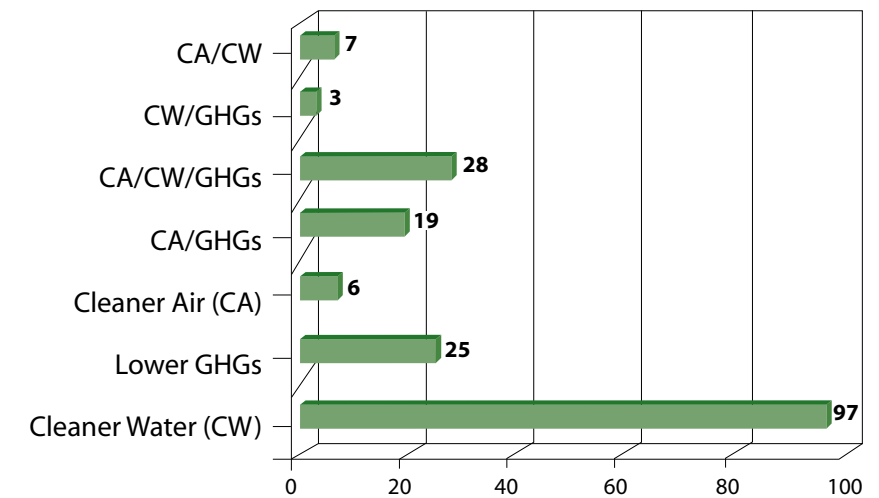


Figure 4: GTF Final Project Outcomes 2009-10



Final Outcomes Report Summary:

The Province has participated in a national committee, chaired by Infrastructure Canada, to develop a performance measurement approach to identify appropriate outcomes for the program.

A Nova Scotia Outcomes Reporting template and process was developed and approved. The final outcomes report is complete and was presented at the National Gas Tax Workshop in Ottawa in 2010. This report can be downloaded at:

www.nsinfrastructure.ca/pages/Gas-Tax-Fund-Outcomes-Report.aspx

The Province will continue to track data on project outcomes on an annual basis. New online outcomes report templates were developed to enhance the efficiency and ease reporting by municipalities. Outcome measurements are recorded by municipalities once projects are completed.

In terms of the number of projects meeting the broad program outcomes of cleaner air (CA), cleaner water (CW), and reduced greenhouse gases (GHGs) the outcomes achieved in 2009/10 are shown in Figure 4.

The following are some key results of the Outcomes Report for the 2005- 2009 period:

- ▶ The Province developed tools, workshops and educational materials to assist municipalities with meeting the GTF reporting requirements.
- ▶ A total of 194 projects (67%) were completed during the reporting period, which covered 2005 to March 31, 2009.
- ▶ The majority of completed GTF projects led to the outcomes of cleaner water (66%) followed by reduced GHG (9.8%) outcome between 2005-2009.
- ▶ The highest percentage of GTF expenditures for completed projects were solid waste (47%) and wastewater projects (23%) between 2005-2009.
- ▶ 78,920 households connected to a municipal water system have improved water quality.
- ▶ 243,000 new households connected to a municipal wastewater system resulting with improved effluent water quality.
- ▶ 48,608 meters of sanitary sewer installed.
- ▶ 10,235 meters of storm sewer installed.
- ▶ 143,453 households with improved solid waste facilities.
- ▶ 12 km of road improvements that are safer/more efficient/with improved drainage.
- ▶ 52 km of pathways (trails/bike lanes/sidewalks) built.

Looking Ahead:

Nova Scotia will continue to invest GTF towards environmentally sustainable municipal infrastructure projects such as solid waste, wastewater and public transit to help make our communities safer, healthier and environmentally and economically sustainable.

As a requirement of the Federal Gas Tax Extension Agreement, municipalities will be required in 2014 to submit a Municipal Climate Change Action Plan (MCCAP), as an amendment to their ICSP, to address mitigation and adaptation measures. In 2010-11, the Province will be developing a guide/template to assist municipalities with the development of these plans. Based on the outcomes of the MCCAPs future capital infrastructure requirements will be significant.

In 2009, Nova Scotia entered into the Canadian Council for Minister's of Environment Municipal Wastewater Effluent Agreement that will require municipalities to meet national effluent standards over a variable 33 year timeline.

Costs to meet these regulations will be a major challenge for Nova Scotia municipalities in the future. Ongoing sustainable external subsidies will be required to meet present and future regulations. There is a need for a dedicated long-term support program.

Based on Municipal Capital Investment Plans received to November, 2010, it is evident that the Nova Scotia Municipal Infrastructure deficit is very large and the GTF investments are providing a significant level of support.