

Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues Provincial Annual Expenditure Report (AER)

as of March 31, 2007

In accordance with the *Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities*, the Province of Nova Scotia made the following progress in meeting its commitments for the year ending March 31, 2007:

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 during the 2006/07 fiscal year.

\$17,519,003 was transferred to Eligible Recipients of which \$11,592,289 was spent on 62 Eligible Projects. Included is \$100,000 of accrued Provincial Gas Tax interest which was transferred to the Union of Nova Scotia Municipalities (UNSM) to hire a Municipal Sustainability Coordinator. The UNSM expensed \$17,197 of the total approved funds for 2006-07.

Contributions from other sources of financing including \$46,106,306 from municipal sources, resulted in a total project value of \$67,233,302. Nova Scotia Municipalities held \$12,633,012 for use in reserve for subsequent years. Of the 62 Eligible Projects: 27 are complete; 35 remain in progress.

Nature of the Investment:

Gas Tax Funds allowed for investment in 35 new, 21 renewal, 5 expansion, and 1 new/renewal projects. Individual community project benefits realized are provided in each of the attached 55 Municipal Annual Expenditure Reports, including the UNSM's AER.

Project Spending by Project Category (Table 1):

Total Project Cost (\$)	Total 2006-07 Gas Tax Expensed (\$)	Total # of Projects	Project Category
21,353,721	5,599,366	10	Solid Waste
22,982,556	1,601,418	4	Public Transit
12,206,259	2,299,312	27	Wastewater
6,156,613	670,813	9	Water
1,777,399	534,728	3	Local Roads
1,926,055	464,903	5	Active Transportation
245,951	49,701	3	Capacity Building
584,748	372,048	1	Water/Wastewater
67,233,302	11,592,289	62	

Incrementality of Gas Tax Funds:

All Incremental Spending of Gas Tax Funds will be measured and tested using data from April 1, 2005, to March 31, 2009, in the audited Provincial Annual Expenditure Report for the year ending March 31, 2010, as follows:

- a. 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 and includes money allocated through the Provincial Capital Assistance Program, Municipal Rural Infrastructure Fund and the Canada Nova Scotia Infrastructure Program. In 2006/07, Nova Scotia contributed \$15.65 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.

- b. 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.
- c. 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.
- 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) has been established between 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.

Outcomes Report:

The Federal Gas Tax and Transit Agreements call for the Province to disseminate an Outcomes Report by September 30th, 2009. The Province is participating in the national committee, chaired by Infrastructure Canada, to develop a performance measurement approach to identify appropriate outcomes to meet reporting requirements of the program.

Recommendations will be made to the Oversight Partnership Committee on outcome indicators suitable to the Nova Scotia context.

In terms of the broad program outcomes of cleaner air, cleaner water, and reduced greenhouse gases the outcomes achieved in 2006-07 were:

Cleaner Water	41 projects
Cleaner Air	4 projects
Lowered Greenhouse Gas Emissions (GHGs)	8 projects
Cleaner Air/Lower GHGs	5 projects
Cleaner Water/Lower GHGs	2 projects
Cleaner Air/Cleaner Water	2 projects
Total	62 projects

Adoption of PSAB accounting Rules:

The Canadian Institute of Chartered Accountants (CICA), through the Public Sector Accounting Board (PSAB), now require municipalities to follow Public Sector Accounting Principles to obtain an unqualified opinion on their annual financial statements. Recognizing this, Service Nova Scotia and Municipal Relations (SNSMR) led a Provincial / Municipal team of senior finance officials to develop the Financial Reporting and Accounting Manual (FRAM). FRAM requires municipalities to follow Public Sector Accounting Principles in accordance with CICA standards, and in June, 2006, SNSMR passed a regulation under the *Municipal Government Act* that had FRAM replace the previous system of municipal accounting in Nova Scotia.

SNSMR’s Municipal Services division led a series of educational workshops with Nova Scotia’s municipalities to review the FRAM and its implications on the annual municipal financial reporting process. The workshops were well attended with 80% of municipalities represented. To date, 95% of Nova Scotia’s municipalities have

financial statements that comply with FRAM and the new PSAB accounting standards.

SNSMR continues to work with the municipalities as they transition to meet new annual reporting requirements in accordance with PSAB standards. Municipal Services is currently leading a working group of municipal finance staff to implement tangible capital asset reporting requirements. These new PSAB reporting standards will take effect in fiscal 2009-2010. Leading Nova Scotia's municipalities through these changes in municipal reporting requirements is an ongoing priority for SNSMR.

Capital Investment Plan:

The Province of Nova Scotia is developing a Capital Investment Plan (CIP) template and will conduct training workshops across Nova Scotia to assist municipalities with meeting the Federal Gas Tax reporting deadline of March 31, 2009. The CIP template development & municipal workshops will be conducted between October 2007-January 2008.

Integrated Community Sustainability Plans:

Nova Scotia has developed an Integrated Community Sustainability Plan (ICSP) Guide/Templates for municipalities which have been distributed to municipalities. An official printed version has been published and will be sent to all 55 municipalities by the end of September 2007, along with an accompanying cover letter outlining all municipal reporting requirements, as per the terms of the Federal Gas Tax Agreement. The Guide/Templates will be posted electronically and will also be available for download from the Canada-Nova Scotia Infrastructure Secretariat's website and Service Nova Scotia and Municipal Relations website.

Integrated Community Sustainability Plan Educational Workshops:

The first ICSP educational workshop will be held at the Union of Nova Scotia Municipalities (UNSM) 2007 Annual Conference in Halifax, Nova Scotia on November 06, 2007. Three more workshops, held across the province, will be

conducted during the month of November, 2007. The workshops are designed to lead participants through the process of developing an ICSP, based on the planning framework and templates that comprise the ICSP Guide.

Federal Gas Tax/Transit Educational Workshops:

The Province of Nova Scotia conducted 3 educational workshops during the month of May 2007 to educate the 55 municipal units and 8 funded public transit organizations on the reporting requirements under the Federal Gas Tax and Public Transit Transfer Programs. An Annual Expenditure Report Guide and Terms of Reference for a compliance audit was developed and posted on the Canada-Nova Scotia Infrastructure Secretariat's website. There were 63 attendees at the workshops, including representation from 65% of the municipal units and several transit organizations. An additional workshop is planned for March, 2008.

Municipal Sustainability Coordinator:

The Province of Nova Scotia has partnered with the Union of Nova Scotia Municipalities (UNSM) to establish a Municipal Sustainability Coordinator. The Sustainability Coordinator's position is funded (\$100,000) through the Provincial interest earned under the Federal Gas Tax program (refer to attached AER).

The Sustainability Coordinator is currently engaged in several initiatives. A key deliverable for year one – the website – will be launched in September, 2007 (www.unsm.ca/sustainability). Three major projects are underway and expected to be completed over the Fall 2007 period. The first study has been commissioned to look at efficient street lighting practices and technologies for municipalities that will include a set of recommendations for street-lighting strategies that will incorporate cost reductions and Greenhouse Gas (GHG) reductions.

A second project – to develop a GHG Accounting and Reporting Tool for Small and Medium-Sized Municipalities – is also underway. The tool is intended to simplify and reduce the costs/resources needed for undertaking a greenhouse gas inventory,

and assist municipalities with decision making on establishing priorities, setting emissions targets and developing an energy or climate change action plan. Deliverables include a half-day workshop with end users of the tool, and a stand-alone, training tool and a data collection and entry guide to explain the system.

The third project is a study to provide municipalities with science-based information on best practices guidelines and model wind turbine by-laws that will aid them in decision-making on wind energy development. The study will include recommendations for model wind turbine zoning by-laws and best practices for NS municipalities, designed to conform with the *Municipal Government Act* (MGA), and available in a format which can be easily adopted and adapted by municipalities.

The Coordinator has also been aiding in the organization of the UNSM's Annual Conference (November 6-9, 2007), which has adopted a sustainability theme. All projects support objectives of the Sustainability Coordinator to encourage implementation of greenhouse gas emission and energy reduction strategies and activities within municipalities, and to support/encourage energy opportunities within municipalities.

Communications Protocol:

Schedule 6 of the Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax and Public Transit Revenues identifies the guiding principles of the communications protocol. These conditions were accepted by municipalities under the signed Municipal Funding Agreements (MFAs). In 2006, Nova Scotia provided a draft communications plan to the Canada-Nova Scotia Oversight Partnership Committee (OPC). The OPC, in November 2006, directed that a communications sub-committee review the plan and make recommendations to the OPC.

Nova Scotia engaged consultants in 2007, and has re-drafted a communications plan for the Gas Tax/Transit Agreements, which incorporated Federal messaging. The communications protocol will be implemented under the coordination of the Canada-Nova Scotia Infrastructure Secretariat, through the municipalities by a series of

communication support materials and activities. A website is being developed which contains Federal Gas Tax and Transit communications toolkits. Other activities include the development of brochures, site signage, and event support materials. These will be presented to OPC during fiscal 2007/08 for implementation.

Deferred Gas Tax Distributions:

The Province withheld the 2006-07 gas tax allocations from the following 10 municipal units (Table 2) as they did not meet the reporting requirements prior to March 31, 2007:

Table 2: Municipality/Town	Gas Tax Allocation 2006-07
Municipality of Annapolis	260,785
Municipality of St. Mary's	48,366
Municipality of Richmond	159,506
Municipality of Clare	121,879
Municipality of Cumberland	281,729
Municipality of Guysborough	101,028
Cape Breton Regional Municipality	2,229,131
Town of Amherst	227,957
Town of Springhill	87,562
Town of Bridgewater	186,570
Total (funds released after Mar 31, 07)	\$3,704,513

As of September 11, 2007 all 10 municipal units listed in Table 2 have received their 2006-07 gas tax allocation and have completed their 2006-07 audited Annual Expenditure Reports.

At March 31, 2007 Nova Scotia withheld \$3,704,513, which combined with the net amount of accrued interest and interest transferred to the UNSM, amounted to \$4,172,742 carry forward to 2007/08.

