

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

as of March 31, 2008

The Province of Nova Scotia has completed the third year of the Canada-Nova Scotia Agreement on the Transfer of Federal Gas Tax Revenues (GTF). The Canada-Nova Scotia Infrastructure Secretariat (CNSIS) continues 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 of the 2007-08 fiscal year.

Project Investments:

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

This year, the GTF invested \$23,325,000 towards municipal infrastructure in Nova Scotia, including \$100,000 to the UNSM. 108 eligible projects were identified that expensed \$16,621,432 in GTF in 2007-08. As of March 31, 08, \$19,731,813 was placed in reserve by municipalities for future infrastructure projects.

Individual community project benefits realized are provided in each of the attached 55 Municipal Annual Expenditure Reports, including the UNSM's Report.

Nature of the Investment:

Gas Tax Funds allowed for the following investment in 2007-08:

- 51 new projects
- 39 renewal projects
- 13 expansion projects
- 5 new / renewal projects

Project highlights for 2007-08:

- There are 108 approved projects – 52 projects are completed and 56 are in progress.
- One of the GTF project investments is a UNSM Municipal Sustainability Coordinator that provides support to all Nova Scotia municipalities on green initiatives.
- Total project cost is \$123,461,628, and of this, \$16,621,432 was expensed by GTF. \$23,325,000 was transferred to eligible recipients, including \$100,000 to the UNSM. An additional \$3,704,513 of deferred payments was transferred to Eligible Recipients relating to outstanding reporting requirements in 2006-07(total municipal transfers were \$27,029,513).
- Wastewater improvements received the greatest proportion of gas tax funding.

Table 1: Spending by Project Category for 2007-08

Project Category	Total Project Cost (\$)	Total 2007-08 Gas Tax Expended (\$)	Total # of Projects
Wastewater	57,219,274	5,717,503	53
Water	10,261,183	935,362	16
Active Transportation/ Local Roads	13,640,395	3,410,455	13
Solid Waste	24,746,793	5,159,084	11
Public Transit	14,638,200	638,898	5
Capacity Building	1,507,795	385,770	8
Water/Wastewater	1,447,988	374,359	2
TOTAL PROJECT SPENDING	123,461,628	16,621,432	108

Figure 1: Total Gas Tax Funding Spent This Year by Project Category

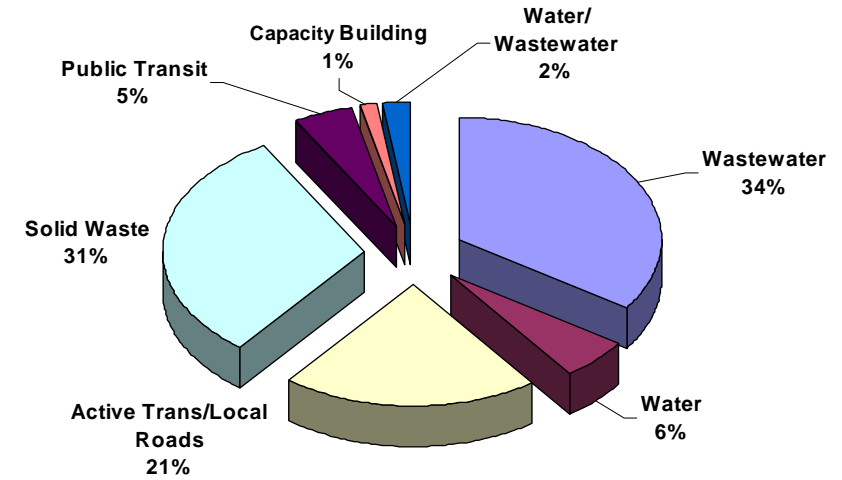
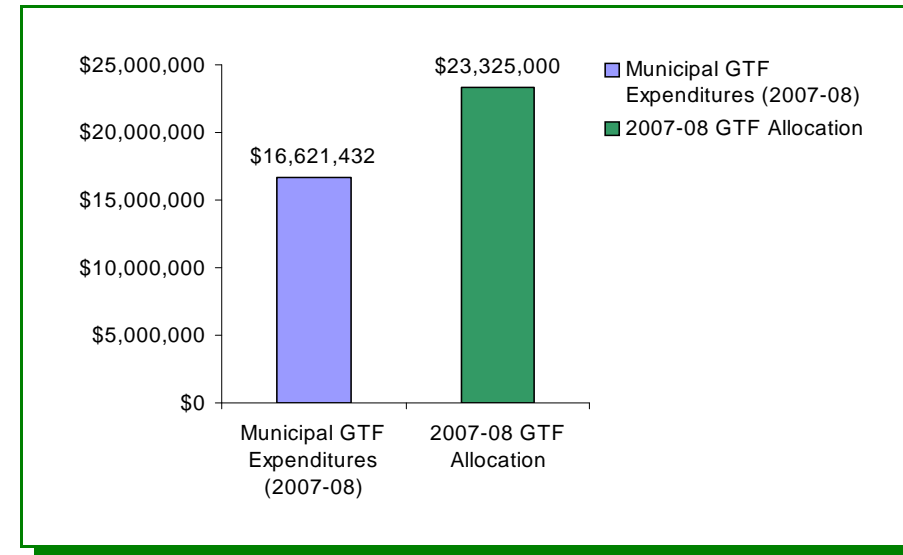


Figure 2: Federal Gas Tax Expenditures 2007-08



Wastewater Projects

Many Nova Scotia communities are already seeing the benefits from the Gas Tax Fund, like the construction of wastewater treatment plants. Communities such as the HRM Eastern Passage wastewater treatment plant upgrade will see their wastewater treated to a higher level. This will help reduce risks to health and the environment with the reduction of raw sewage discharges.



Water Improvements

GTF investments in projects such as the Town of Canso's water treatment plant will meet Nova Scotia's drinking water requirements.



Public Transit

The Gas Tax Fund has invested in public transit such as purchases of accessible buses in Kings County that provides daily service throughout the municipality. This transit service will provide safe, affordable and accessible transportation, as well as help reduce our ecological footprint and cut back on congestion, and on greenhouse gases.



Solid Waste Improvements

This year, more than 30 per cent of GTF investments has been directed towards improving solid waste management practices in Nova Scotia.



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. In 2007/08, Nova Scotia contributed \$14.8 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) 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.

Outcomes Report:

The Province will disseminate an Outcomes Report by September 30th, 2009 (see Section 7.1.1(b) GTA). The Province has participated in a national committee, chaired by Infrastructure Canada, to develop a performance measurement approach to identify appropriate outcomes to meet reporting requirements of the program.

A Nova Scotia Outcomes Reporting template and process was developed and approved, and Nova Scotia municipalities commenced cumulative reporting in 2008 for the prior years, to establish the process.

In terms of the broad program outcomes of cleaner air, cleaner water, and reduced greenhouse gases the outcomes achieved in 2007-08 were:

Project Type	# of Projects
Cleaner Water	72
Cleaner Air	4
Lower GHGs	16
Cleaner Air/Lower GHGs	4
Cleaner Water/Lower GHGs	3
Cleaner Air/Cleaner Water	6
Cleaner Air/Cleaner Water/Lower GHGs	3
TOTAL	108

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 to obtain an unqualified opinion on 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. As of the most recent financial statement submissions, all municipalities in Nova Scotia are compliant with Public Sector Accounting Principles.

SNSMR continues to work with the municipalities as they transition to meet new annual reporting requirements in accordance with PSAB standards. The Department 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.

Delivering the Message – GTF Workshops:

Workshop Highlights for 2007-08

- Four GTF-PTF educational workshops were held, with representation from 82 per cent of Nova Scotia municipalities, as well as public transit organizations
- Three Capital Investment Plan workshops were held, with representation from 78 percent of Nova Scotia municipalities
- ICSP workshops and information meetings were held for all 55 municipalities

Federal Gas Tax/Transit Educational Workshops:

The Province of Nova Scotia (CNSIS) conducted 4 educational workshops during 2007-08 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.

In total there were 82 attendees at the 4 workshops, including representation from 82% of the municipal units and several public transit organizations. An Annual Expenditure Report Guide and Terms of Reference for municipal compliance audits were developed and posted on the Canada-Nova Scotia Infrastructure Secretariat's website.

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 deadline of March 31, 2009. The CIP Template and process will enable municipalities to facilitate long-term capital planning and financing of future infrastructure.

The Province conducted 3 municipal CIP workshops throughout Nova Scotia during the month of April 2008. In total there were 63 attendees, including representation from 78% of the municipal units. The CIP template, including software and user guide, is available on the Canada-Nova Scotia Infrastructure Secretariat website www.nsinfrastructure.ca. The Province will be collecting municipal CIP's beginning in 2008/09.

Integrated Community Sustainability Plans:

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

The Guide/Templates was posted electronically and is also available for download from the Canada-Nova Scotia Infrastructure Secretariat's website, as well as Service Nova Scotia and Municipal Relations website.

Integrated Community Sustainability Plan Educational Workshops:

Nova Scotia engaged an ICSP Coordinator in 2006 to assist municipalities in developing their plans. The first ICSP educational workshop was held at the Union of Nova Scotia Municipalities (UNSM) 2007 Annual Conference in Halifax, Nova Scotia on November 06, 2007. Four more workshops were held across the province, between March and April 2008. The workshops were designed to lead participants through the process of developing an ICSP, based on the planning framework and templates that comprise the ICSP Guide.



Municipal Sustainability Coordinator:

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

Late in 2007, a Corporate Energy and Emissions Inventory Tool-Kit, customized for Nova Scotia municipalities was produced by the Municipal Sustainability Office. It is intended to provide the baseline reference point for efforts to reduce emissions and energy consumption for corporate municipal activities and uptake has been strong associated with the Province's EcoTrust Municipal Program.

Over half of the municipalities in the province will be completed or in-progress with their corporate inventories by the end of the year. The UNSM has a goal to be the first province/territory in Canada to have all their municipalities' complete their corporate energy inventories.

A workshop was offered in May to provide guidance on using the Tool-Kit, and a second is planned for early October. Phase II of this project – the development of a Community Energy and Emissions Inventory, is under development, which will be ready by the end of the calendar year. This is also being developed in partnership with the Province.

Early in 2008, the UNSM through the Municipal Sustainability Office, released a guidebook, "Model Wind Turbine By-Laws and Best Practices for Nova Scotia Municipalities". A number of provincial and municipal partners came together on this project. The document is designed to assist municipal units in making sound decisions on wind energy development, by providing options with respect to appropriate zoning and siting policies and best practices for municipalities.

Started in the fall of 2007, the Energy Efficient Street-Lighting Strategies Project is still under development. This project is a partnership with the Province, HRM and Nova Scotia Power. Its completion date is December, 2008.

The UNSM encouraged municipal units to provide input into the new water resource management strategy being developed by the Nova Scotia Department of Environment. A submission was made in June, and subsequently, the UNSM has been invited by the Province to engage in a new Memorandum of Understanding with NS Environment and AMANS related to Water and Wastewater – this was signed at the UNSM Annual Conference (Fall, 2008).

The UNSM continues to work closely with Service Nova Scotia & Municipal Relations staff on presenting a harmonized message on the Integrated Community Sustainability Plans (ICSPs). This has included presentations to councils, participating in workshops, and working with new sustainability coordinators and municipal staff – all these activities are geared towards assisting municipalities prepare their ICSPs.

Communications Protocol:

The Canada-Nova Scotia Infrastructure Secretariat (CNSIS) continues to work with Infrastructure Canada on the communications plan for the Gas Tax Fund and the Public Transit Fund.

The CNSIS participated in the following conferences, promoting the GTF:

- Canadian Network of Asset Managers
- Nova Scotia Association of Planners
- Union of Nova Scotia Municipalities - Spring Workshop
- Association of Municipal Administrators
- Capital Investment Plan workshops

The communications plan has been recommended for approval by all parties.

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 2008/09 was submitted to Infrastructure Canada for future consideration.

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

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 and the Public Transit Fund.

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: Deferred Gas Tax Distributions 2006-07

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 (CBRM)	2,229,131
Town of Amherst	227,957
Town of Springhill	87,562
Town of Bridgewater	186,570
Total (funds released after March 31, 07)	\$3,704,513

As of September 11, 2007 all 10 municipal units listed in Table 2 had received their 2006-07 gas tax allocation and 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 \$4,172,739 carry forward to 2007/08.

Summary:

In Nova Scotia, \$39,184,066 (67%) out of a total 3 year federal allocation of \$58,063,000 in GTF has been expensed to date. It should be noted that \$19,731,813 is currently held in reserve account by municipalities at March 31, 2008 (33%). The highest percentage of GTF expenditures are solid waste and wastewater projects (refer to Table 3 & 4 and Figure 3).

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

Project Category	Total 2005-06 Gas Tax Expensed (\$)	Total 2006-07 Gas Tax Expensed (\$)	Total 2007-08 Gas Tax Expensed (\$)	Total Gas Tax Expensed to Date
Wastewater	2,107,905	2,299,312	5,717,503	10,124,720
Water	279,833	670,813	935,362	1,886,008
Active Transportation/ Local Roads	340,869	999,631	3,410,455	4,750,955
Solid Waste	4,557,241	5,599,366	5,159,084	15,315,691
Public Transit	3,552,412	1,601,418	638,898	5,792,728
Capacity Building	—	49,701	385,770	435,471
Water/ Wastewater	132,086	372,048	374,359	878,493
TOTAL PROJECT SPENDING	10,970,346	11,592,289	16,621,431	39,184,066 (67% of total projects)

Figure 3: Accumulative Gas Tax Expensed to Date by Percentages

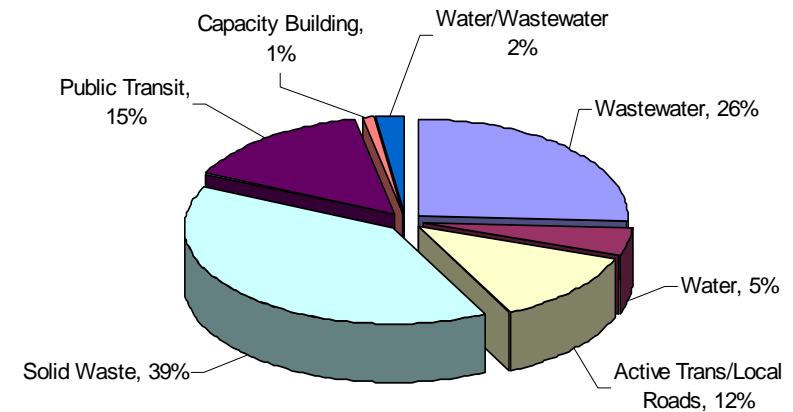


Table 4: GTA Financial Summary-Nova Scotia Municipalities

	Total 2005-06	Total 2006-07	Total 2007-08	Cumulative
Opening Balance	0	6,454,507	8,935,675	
Distribution to Mun Units	17,418,998	13,814,490	27,029,513	58,263,001
Spent on Eligible Projects	(10,970,346)	(11,592,290)	(16,621,431)	(39,184,066)
Mun Interest Earned	6,330	277,657	401,931	685,918
Spent on Admin	(475)	(18,689)	(13,874)	(33,038)
Closing Balance	6,454,507	8,935,675	19,731,813	19,731,813

Looking Ahead:

Nova Scotia will continue to invest GTF towards green infrastructure projects such as solid waste, wastewater and public transit to help make our communities safer, healthier and environmentally and economically sustainable. Based on Municipal Capital Investment Plans received to Nov, 2008, it is evident that the Nova Scotia Municipal Infrastructure deficit is very large and the GTF investments are providing a significant level of support.
