
City of Kelowna

MEMORANDUM

DATE: July 5, 2005
FILE: 230-20

TO: City Manager

FROM: Director of Financial Services

RE: Federal Gas Tax Transfer

RECOMMENDATION

THAT Council accept the report of the Director of Financial Services on the Federal Gas Tax transfer dated July 5, 2005;

AND THAT staff be instructed to provide Council with a strategy for application and expenditures of the Gas Tax allocations within two months of the execution of a final agreement between the Federal Government, the Provincial Government and the Union of British Columbia Municipalities (UBCM).

BACKGROUND AND COMMENTS

On April 15, 2005, the Federal and Provincial Governments and the UBCM signed an agreement on the transfer of federal gas tax revenues under the "New Deal" for Cities and Communities. The signing signaled the parties' intention to conclude a final contribution agreement subsequent to approval of the federal budget and potentially, the current Federal Government continuing its mandate.

The final contribution agreement commits the three parties to 6 principles that will govern actions with respect to the development and implementation of a final contribution agreement:

1. Respect for jurisdiction
2. A flexible approach
3. Equity
4. Focus on long-term solutions
5. Transparency
6. Accountability and Reporting to Canadians

The attached slides will be reviewed with Council at the July 11, 2005 meeting and are intended to provide a summary of the agreement purpose and outcomes, allocation methodology, anticipated revenue, eligibility and other considerations.

A UBCM newsletter dated June 30, 2005 advises that Canada, British Columbia and the UBCM are now actively working to transform the April 15th New Deal Agreement in Principle, on the transfer of federal gas tax into a Final Agreement which could be finalized in early July prior to making its way through the final approval stages. It is anticipated that funds may begin to flow in the 2005 calendar year and UBCM, as program administrator, is considering workshops to provide local governments with information regarding how to access funds.

An area of particular concern to the City of Kelowna is our placement within the Central Okanagan Regional District as a Tier 2 community. Kelowna will receive 50% of available funding without application under the Community Works Fund with the remaining funding applied for under the Strategic Priorities Fund on a regional basis for projects that are larger in scale and regional in nature. Tier 2 communities with populations greater than 25,000 may not use any funds for the rehabilitation of roads and bridges or development of paths and trails.

By comparison, Kamloops and Prince George are Tier 1 communities and receive 75% funding without application under the Community Works Fund and the remaining funding applied for under the Strategic Priorities Fund for projects that are larger in scale and regional in nature. Tier 1 communities may use funds for the rehabilitation of roads and bridges as well as the development of paths and trails.

On July 4, 2005, Richard Taylor, Executive Director of UBCM advised that further discussions among the parties have taken place and he is reasonably optimistic that Tier 2 communities over 25,000 population will be allowed to include roads rehabilitation under the final agreement.

Potential Additional Recommendation

THAT Council immediately request the UBCM to reconsider classification of the City of Kelowna as a Tier 1 community for purposes of funding allocations under the Community Works and Strategic Investment funds.

Should Council approve this recommendation, a letter under the Mayor's signature will be sent to UBCM by July 12, 2005.

Paul Macklem, CMA

Cc: Director of Works & Utilities
Director of Parks & Leisure Services
Financial Planning Manager